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1957 AGRICULTURAL FINANCE OUTLOOK

U.S. Agricultural Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

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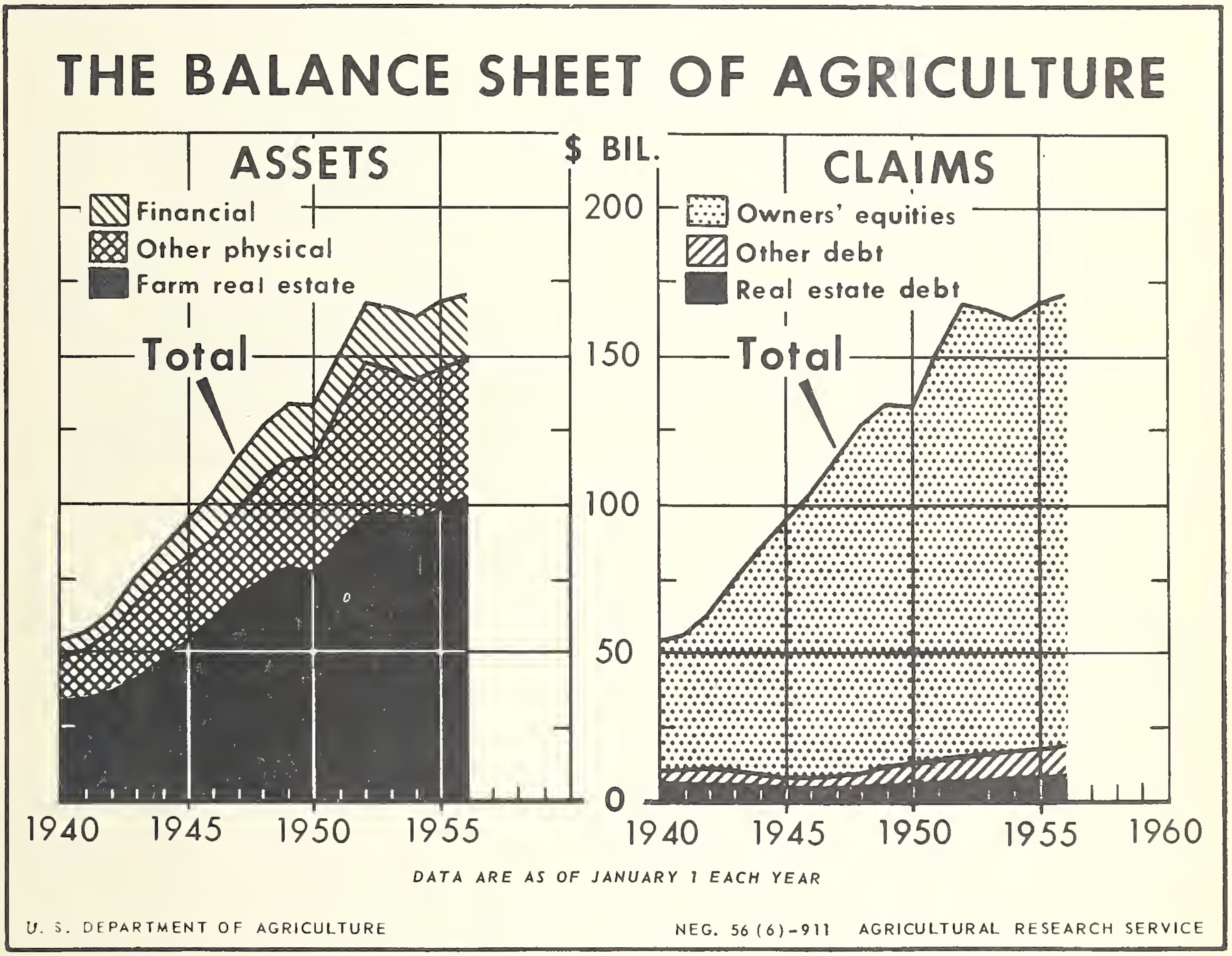

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Approved by Outlook and Situation Board, November 16, 1956

In preparing this report, the Production Economics Research Branch of the Agricultural Research Service has had the benefit of information from the district offices of the Farm Credit Administration, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve Banks, and several life insurance companies and commercial banks in various parts of the United States. In addition, local surveys in 24 selected counties, covering different types of farming and farm conditions, were made by members of the Branch in October 1956. In these counties, some 329 farmers and ranchers, 140 bankers and lenders, and 143 merchants and dealers were interviewed. The farmers and ranchers interviewed were selected to represent the predominant types of farming in the counties surveyed.

It is believed that the county surveys and the other reports received provide information that is reasonably indicative of the effect of changes in economic conditions on the financial status of farm people.

SUMMARY OF FINANCIAL OUTLOOK FOR 1957

A further increase in the value of farm assets, and in the value of proprietors' equities in farm property, occurred during 1956. Indications are that the total value of farm assets will approximate $176 billion on January 1, 1957, and that proprietors' equities on that date will be about $155 billion (table 1). These values would reflect increases of 3.4 and 2.6 percent, respectively, over the corresponding values for January 1, 1956.

During 1956, as in 1955, an increase in the value of farm real estate was the major cause of the rise in total value of farm assets. Farm real estate values rose in all except one of the years 1951 through 1955, although net farm income dropped continuously throughout that period, and they advanced again with the slight increase in net farm income that occurred in 1956. The strength of the market for farm real estate apparently reflects a widespread confidence that farms are still a good investment, even though farm income has dropped considerably from its postwar high. Among farmers, much of the demand for farms arises from the desire to expand the scale of operations. With advances in mechanization, higher costs, and acreage restrictions for important crops, larger farms have become necessary for efficient operation and to provide adequate income for farm families. In many areas, farmland values have been driven up by suburban development.

Table 1.- Balance sheet of agriculture, January 1, 1956, and estimated for January 1, 1957

Item	January 1, 1956	Estimated for January 1, 1957	Percentage change
	Billion dollars	Billion dollars	Percent
ASSETS			
Physical assets:			
Real estate	102.7	106.4	+3.6
Non-real-estate	1/ 47.3	49.2	+4.0
Financial assets	20.2	20.4	+1.0
Total	1/ 170.2	176.0	+3.4
CLAIMS			
Liabilities:			
Real estate debt	9.0	9.8	+8.9
Non-real-estate debt:			
Loans held and guaranteed by Commodity Credit Corporation	1.9	2.7	+42.1
Other	7.9	8.2	+3.8
Total liabilities	18.8	20.7	+10.1
Equities	1/ 151.4	155.3	+2.6

1/ Revised.

Apparently, liquid reserves of farmers changed very little during 1956. Some farmers were able to increase their liquid funds; others, particularly those in areas where crops were reduced by adverse weather, have had to draw down their liquid funds. In most areas, farm debts have increased. For the country as a whole, farm debts will show an increase of about 10 percent for 1956. Many farmers have maintained their liquid reserves by borrowing more money to meet operating and living expenses. A considerable part of the increase in debt, however, has resulted from purchase of farms or additional land, and from investments in farm capital goods such as dairy and beef cows; automobiles, motortrucks, tractors, and farm machinery; bulk milk handling and irrigation equipment; and new buildings. This is true even though farmers have curtailed expenditures for automobiles, farm machinery, and farm improvements.

Reports from both farmers and lending agencies indicate that, in most parts of the country, adequate credit is available to meet farmers' needs and

that farmers are paying their debts on schedule. Few delinquencies or foreclosures are reported. However, it appears that a substantial number of farmers are giving up farming or supplementing their farm income with income from off-farm jobs. These measures often permit the payment of farm debts that could not be paid from farm income.

In the drought areas of the Plains States, many farmers have sold a considerable part of their livestock because their supplies of feed and water failed. Such sales reflect an extremely unfavorable situation for farmers but they have resulted in payment of a substantial amount of farm debt. In some instances, they have enabled farmers to increase their liquid reserves. A considerable number of farmers in the drought areas are now financed by the Farmers Home Administration, often under standby arrangements with other creditors.

Except in areas where growing conditions were poorer in 1956 than in 1955, farmers reporting this fall generally indicate that their financial condition has changed little from last year. Gross cash incomes are little, if any, higher. Total cash expenditures also changed little, although expenditures for operating and living purposes were up and those for capital equipment down. However, the situation of farmers differs considerably by regions. Moreover, reports from lending agencies in all parts of the country indicate that small farmers, except those with off-farm employment, are having a harder time than the larger farmers. No doubt, this explains why so many of the smaller farmers are seeking off-farm employment.

Little change is to be expected in the financial situation of farmers as a group during the next year. Farm debts probably will continue to rise, and values of farm assets may also increase, although a slowing down may occur in the rate at which farm real estate values are rising. A small increase in farm income is anticipated. The situation of farmers in the western Corn Belt and drought areas of the Plains States would be improved greatly if ample moisture were received.

FARM INCOME SITUATION AND OUTLOOK [1/]

After four consecutive years of decline, farm income turned upward in 1956, and the outlook is for some further increase in 1957. The increase in the realized net income of farmers is 4 percent so far this year. Soil-bank payments are an important factor in this year's increase as they will be next year.

The realized net income of farmers in the first 9 months of 1956 was at an annual rate of $11.7 billion as compared with $11.3 billion for the year 1955. An increase of 3 percent in the volume of farm marketings offset a slight decline in average prices with the result that cash receipts from farm marketings through October 1956 were up more than 2 percent from the same months in 1955. The new incentive payments for wool, which began in July, and

1/ For a more complete discussion, see The Farm Income Situation, November 1956, AMS, USDA.

payments for participation in the soil bank, beginning in September, together will add about $300 million to farmers' income this year. Total Government payments to farmers will be about 2-1/2 times as large as last year.

Production expenses have risen about 1 percent so far this year. Most of this increase lies in increases in the overhead items of interest, taxes and depreciation, increased purchases of feeder livestock, and higher costs of repairs and operation of motor vehicles, machinery, and buildings.

Farmers' realized net income probably will rise further in 1957. After allowing for expected crop-acreage reductions under the soil-bank program, cash receipts from farm marketings in 1957 will probably be a little smaller than in 1956. Prices of farm products may average slightly higher next year, but the volume of crop marketings will probably be reduced enough to offset the prospective increase in average prices. Cash receipts from livestock and livestock products may show some increase, reflecting further expansion in dairy receipts and higher prices for hogs and possibly cattle. The decline in total cash receipts from marketings in 1957 is expected to be fairly small. It should be more than offset by soil-bank payments. Production expenses in total are likely to show little change. Interest, taxes, depreciation, and possibly rents may show further increases. However, this rise in overhead costs will likely be offset by lower operating expenses resulting from reduced acreage for the basic crops.

FINANCIAL CONDITION

The total value of farm assets is expected to be about $176 billion on January 1, 1957 - $5.8 billion greater than at the beginning of 1956 (table 1). This will be another all-time high.

Of the expected increase, $3.7 billion will be accounted for by the increase in the value of farm real estate. Other physical property owned by farmers is also expected to increase by January 1, 1957 - probably by about 4.0 percent. Inventories of crops, livestock, and household goods will rise in value, whereas the value of machinery and motor vehicles will remain at about the level of January 1, 1956. Part of the rise in crop values (and in CCC loans) can be attributed to a relatively large amount of 1955 cotton that will still be carried under loan to the Commodity Credit Corporation at the end of the year. A slight rise of $0.2 billion during 1956 is indicated for the financial assets held by farm people. This represents the increased net worth of farmers cooperative associations; the more liquid assets, cash, bank deposits, and United States savings bonds are not expected to show any significant change during the year.

Because of the increases in values of farm assets, ownership equities in agriculture are expected to be $3.9 billion higher on January 1, 1957, than a year earlier. Farm debts, including CCC loans, will probably show an increase during 1956 of about $1.9 billion. This debt increase, however, will only partially offset the expected rise in the value of assets.

The financial condition of farmers has not improved to the extent indicated by the expansion of asset values and equities. The rise in farmland values, for example, has resulted largely from the widespread demand for additional land, created by the desire and the need to operate on a larger scale and to reduce unit costs. Some farmers have made large capital outlays for livestock and equipment for similar reasons. Many of these expenditures were made under conditions of declining incomes and rising operating costs. Although usually these were steps to greater efficiency, farmers were often forced to reduce their financial reserves and increase their debts.

Reports recently received from farmers and lenders indicate that, on the whole, no great change occurred during 1956 in the credit and financial position of farmers. Many, particularly in drought areas, have experienced substantially reduced incomes and some, especially those with smaller farms and lower equities, have left farming. But most farmers have made adjustments by curtailing expenditures and some have obtained other sources of income. Despite the widespread expansion of farm debt, lenders report that delinquencies are few and that foreclosures are rare.

FARM REAL ESTATE

The total value of farm real estate is expected to be a record $106.4 billion by March 1, 1957. This would be $3.7 billion, or 3.6 percent, above a year earlier. The March 1, 1956, total of $102.7 billion was a record high, exceeding the post-Korean peak in March 1953 by 6 percent.

During the year ended last July, land values increased by 3 percent in the country as a whole, to a new all-time high. Changes ranged from a 5-percent drop in Colorado to a 15-percent increase in Florida (fig. 1). New high levels were recorded in 29 States scattered throughout the country. During the year, increases of more than 5 percent were general throughout the Southeastern and Delta States, eastern Corn Belt, Northeast, and northeastern Appalachian States. The Northern Plains region was characterized by little change. In the Mountain States, values averaged 1 percent higher while a 6-percent increase was recorded for the Pacific region.

The increase in land values during the last several years was unusual, because net farm income was declining. In the previous 40 years, land values have not moved contrary to the changes in farm income for as long a period of time as they have done in recent years. Higher values for farmland are the net effect of several factors. Two that apparently operate on a national scale are (1) the desire of operators to enlarge farms in order to utilize mechanization more fully as a means of reducing costs per unit of output, and to increase the base acreages on which allotments are computed, and (2) optimism regarding the desirability of farmland as a safe long-term investment - based on the favorable outlook for the general economy and the assumption that a continued high rate of population growth almost assures slowly, but steadily, rising land values.

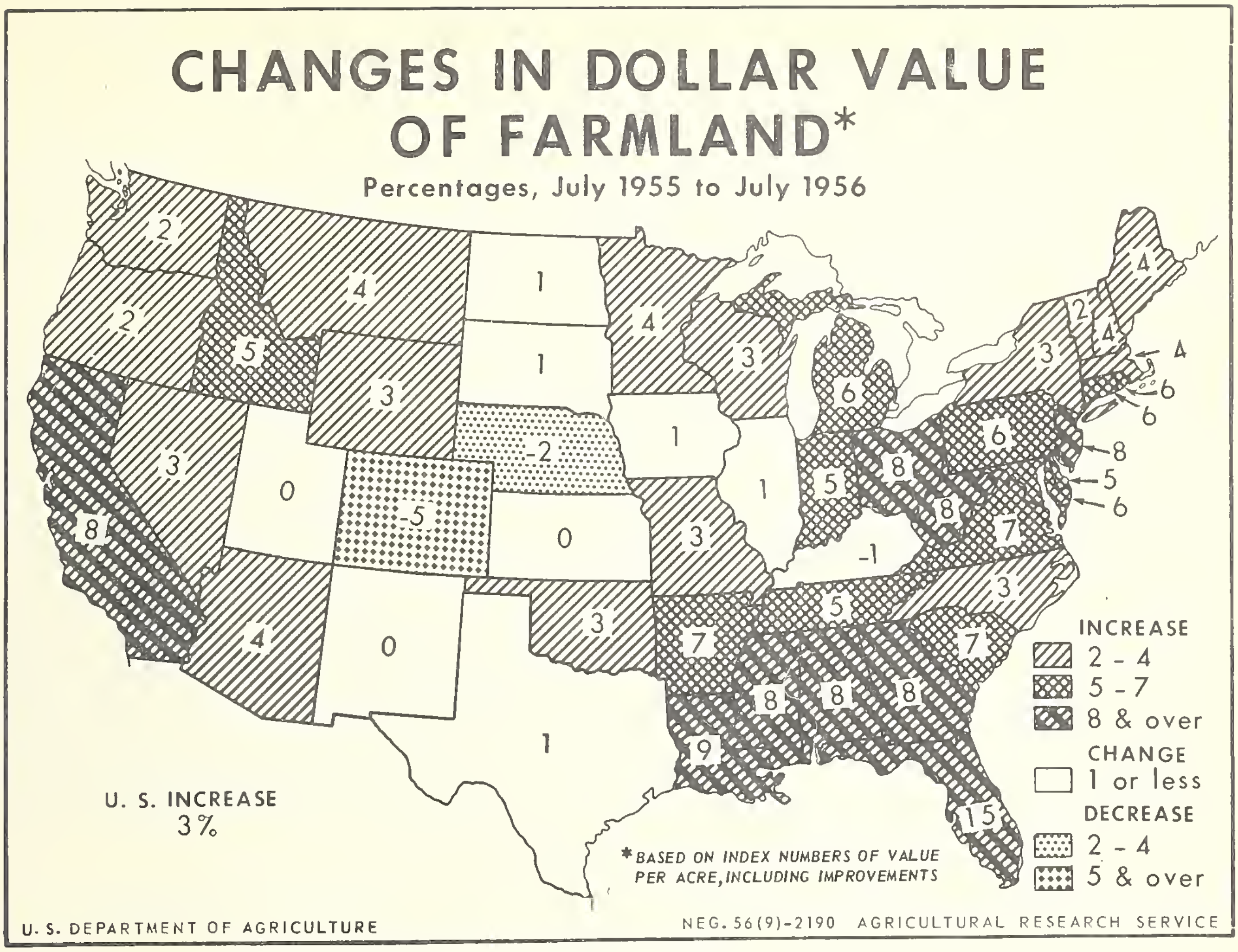


FIGURE 1

Several other factors, more regional in scope, will continue to be operative in the farmland market.

As of mid-1956, the most optimistic land market was in the Southern States. Crop conditions throughout this area have been generally favorable during the current growing season and the demand for land for production of pulpwood timber continues strong. Population growth and expanding industry have also stimulated the land market throughout much of this area, particularly in Florida which showed an increase of 15 percent during the year.

The land market in the Northeastern region has been influenced greatly by the expansion of urban and industrial uses for land, as well as by the desire of many city residents for part-time farms and rural residences. Many of the poorer and cheaper farms have been in demand by neighboring owners, whose desire was to enlarge and make units more efficient, thus increasing the per acre value of both farms. In the eastern Corn Belt, some recovery in hog prices and higher prices for soybeans this spring helped to bolster farmers' expectations for a good year. In addition, relaxation of corn acreage allotments in order to qualify for price-support loans was mentioned as a stimulating influence.

Values were largely unchanged in the Great Plains region, in which drought was severe throughout much of the 1956 growing season. The expansion in size of farm units has been particularly important in this region.

In most Western States, continued increases in values stem from a strong demand for both tillable and grazing land to maintain large numbers of livestock. The largest increase during the year in this region was recorded in California, where growth of the population and rapidly expanding industrial uses for land contributed to a strong demand.

The rate of voluntary transfers of farmland during the year ended March 15, 1956, was 4 percent above the level of the previous year, and 11 percent above the most recent low which occurred in the year ended March 1954. However, the current rate is still below that for any of the years in the 1941-54 period. Some increase in transfers of farms as a result of foreclosures and related defaults occurred, but the rate is still low compared with that during the 1930's and early 1940's.

The use of credit in connection with farm purchases continued to increase in both amount and frequency during the winter and spring of 1955-56. For the country as a whole, 67 percent of all farm purchases were financed by some form of credit during 1955-56, compared with 64 percent a year earlier. The average debt incurred on farms bought with credit amounted to 61 percent of the purchase price, up slightly from the 59 percent recorded during the previous 2 years.

FARM DEBTS

Farm mortgage and non-real-estate farm debt combined (excluding CCC loans) are expected to increase by about 6-1/2 percent during 1956 to a total of approximately $18 billion on January 1, 1957. This compares with an increase of 9 percent during 1955. Such debt will probably increase by another billion dollars during 1957. Including price-support loans of the Commodity Credit Corporation, the total farm debt will amount to about $20.7 billion on January 1, 1957, or 10 percent more than a year earlier. However, most of the $0.8 billion increase in CCC loans will result from extension of the date for payment of loans on 1955 cotton.

The total farm debt (including CCC loans) is now about 2.6 times as large as it was at the beginning of 1946 (fig. 2). However, the increase amounts to only $12.7 billion, whereas farm asset values increased by about $72 billion. The ratio of farm debt to farm assets increased during the period from about 7.7 percent to about 11.8 percent. Only about a third of the farms are mortgaged and relatively few farmers appear to be seriously burdened by their debts. Although lenders report some increase in farm borrowers who are delinquent in making payments, the number of such borrowers is still very small.

Farm-mortgage Debt.- Farm-mortgage debt is continuing to increase in 1956 at nearly the same rate as in 1955 (table 2 and figs. 3 and 4). The

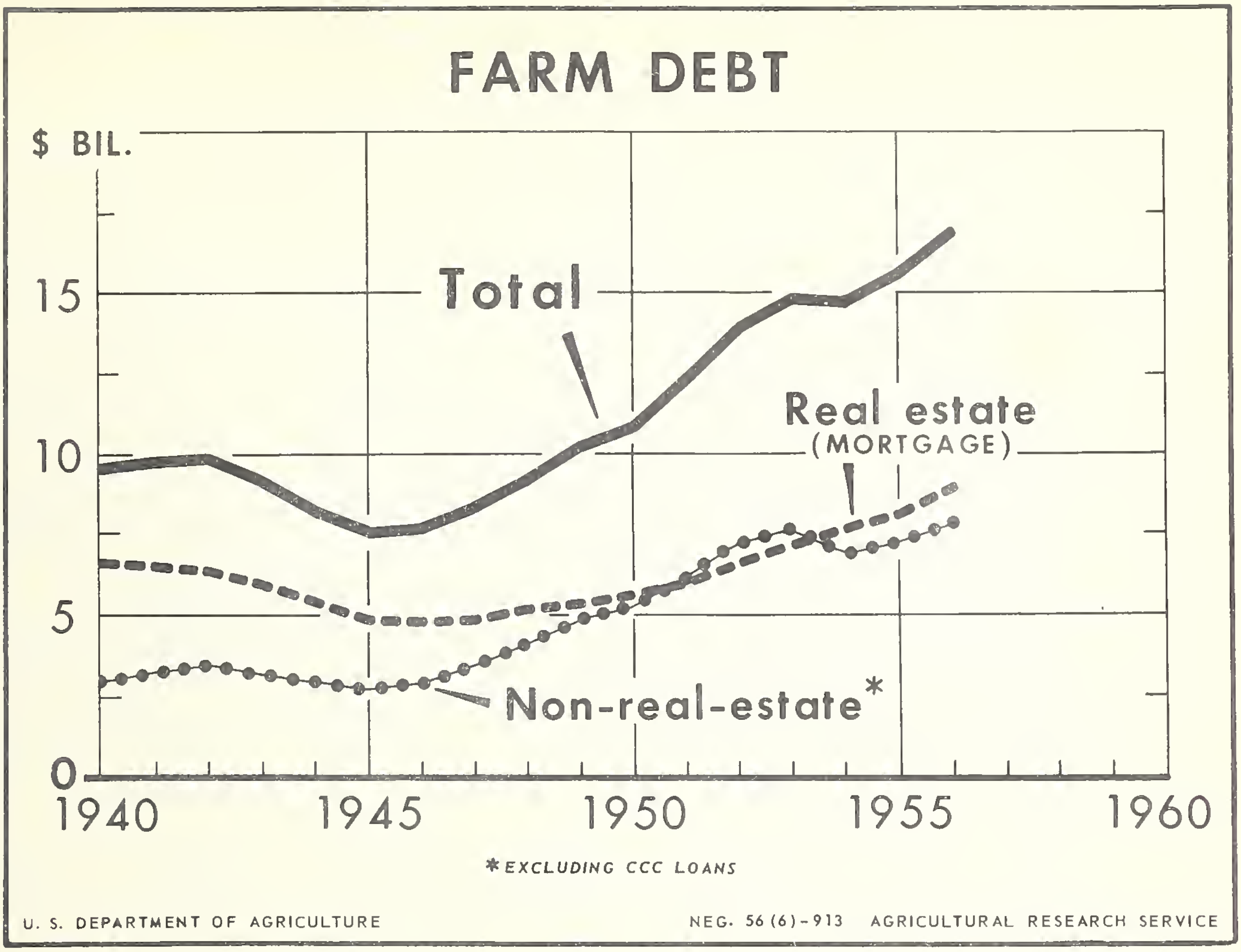


FIGURE 2

total on January 1, 1957, will be about $9.8 billion, some 9 percent above the total a year earlier. Mortgage interest payable in 1956 will be about 9 percent higher than the $410 million payable in 1955. The outlook is for a further increase in farm-mortgage debt and interest charges in 1957.

The tendency in the economy as a whole toward higher interest rates and tighter credit in 1956 was reflected in the farm-mortgage field. The situation was apparently not stringent in any area, but loan applicants were generally subject to a more rigorous review and screening, and interest rates for accepted applicants were higher. The screening tended to eliminate as borrowers marginal operators with uneconomic units and also, in some instances, applicants for unusually large loans. Nevertheless, the average size of new farm-mortgage loans continued to increase, and no reduction was reported in the ratio of debt to the value of the security or in length of term.

The rising cost of funds to the Federal land banks is shown by the higher yields of Consolidated Federal Farm Loan Bonds. Representative issues of these bonds yielded 3.75 percent in September 1956 as compared with 3.00 percent a year earlier. As a result, 7 of the 12 Federal land banks raised

Table 2.- Farm-mortgage debt: Total outstanding and amounts held by principal lenders, January 1, 1955-56

Region	Total farm-mortgage debt	Distribution by lender: Federal land banks 1/	Farmers Home Administration	Life insurance companies	Commercial and savings banks	Individuals and others
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
United States:						
1955	8,175,724	1,279,787	271,220	2,051,445	1,210,676	3,362,596
1956	8,962,239	1,480,204	277,869	2,271,784	1,346,287	3,586,095
Northeast:						
1955	799,380	94,640	14,680	48,502	202,275	439,283
1956	842,738	103,994	13,725	50,535	218,893	455,591
Corn Belt:						
1955	1,745,950	264,498	32,832	621,567	304,838	522,215
1956	1,907,218	301,639	32,248	692,120	333,064	548,147
Lake States:						
1955	900,567	156,796	17,740	130,280	168,856	426,895
1956	963,678	179,882	17,346	146,595	181,487	438,368
Appalachian:						
1955	601,238	68,396	32,266	103,775	170,449	226,352
1956	652,990	79,122	32,330	113,952	187,818	239,768
Southeast:						
1955	483,623	81,308	41,578	83,756	72,271	204,710
1956	537,685	93,950	39,448	96,015	84,396	223,876
Delta States:						
1955	383,835	57,177	40,607	117,744	53,030	115,277
1956	425,059	66,461	39,323	134,523	62,147	122,605
Southern Plains:						
1955	824,565	164,206	31,200	338,182	46,491	244,486
1956	914,982	195,545	31,938	370,735	56,626	260,138
Northern Plains:						
1955	614,245	168,690	20,297	210,988	43,645	170,625
1956	681,244	196,167	22,487	235,987	49,904	176,699
Mountain:						
1955	726,784	106,747	26,220	225,712	28,911	339,194
1956	796,547	127,791	31,844	247,796	33,119	355,997
Pacific:						
1955	1,095,537	117,329	13,800	170,939	119,910	673,559
1956	1,240,098	135,653	17,180	183,526	138,833	764,906

1/ Includes Federal Farm Mortgage Corporation.

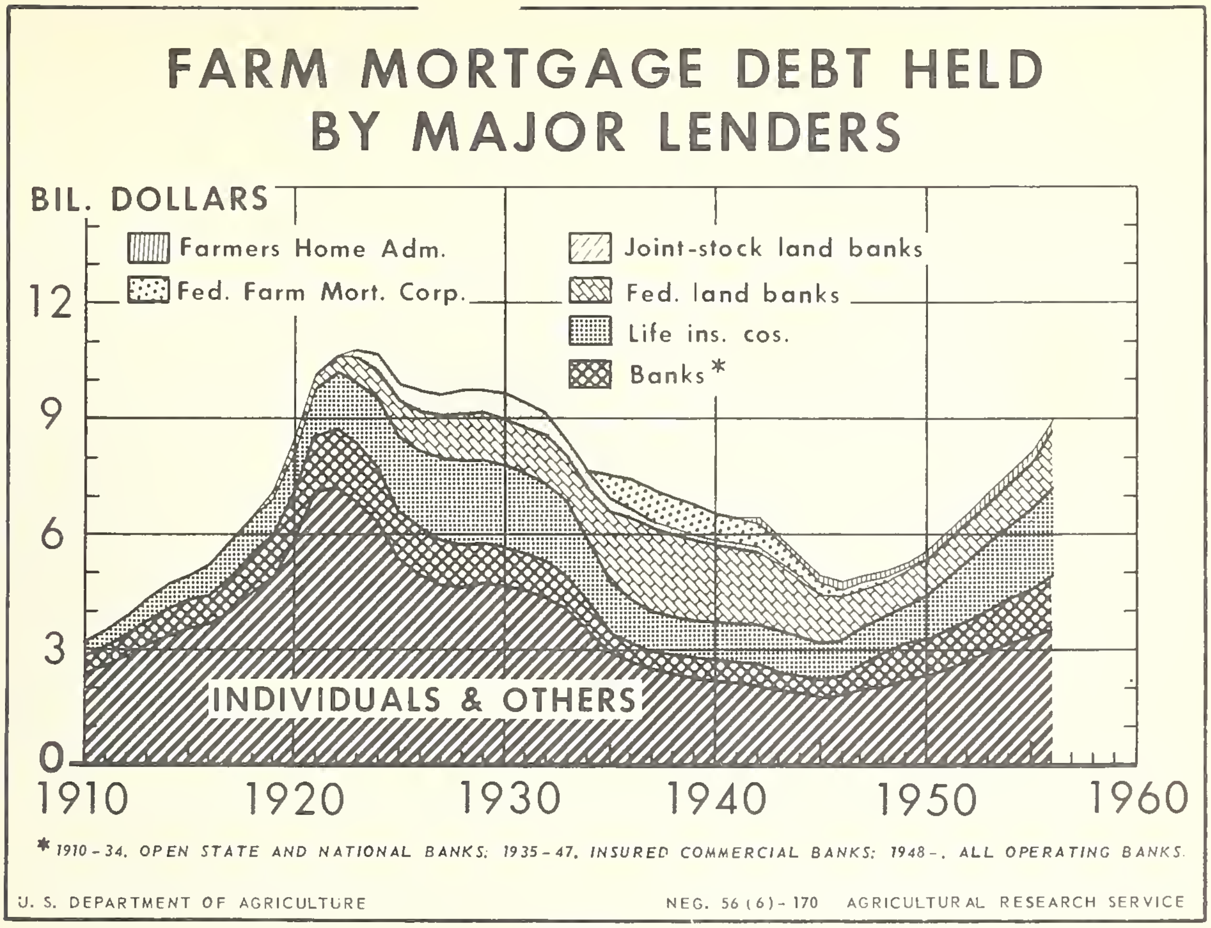


FIGURE 3

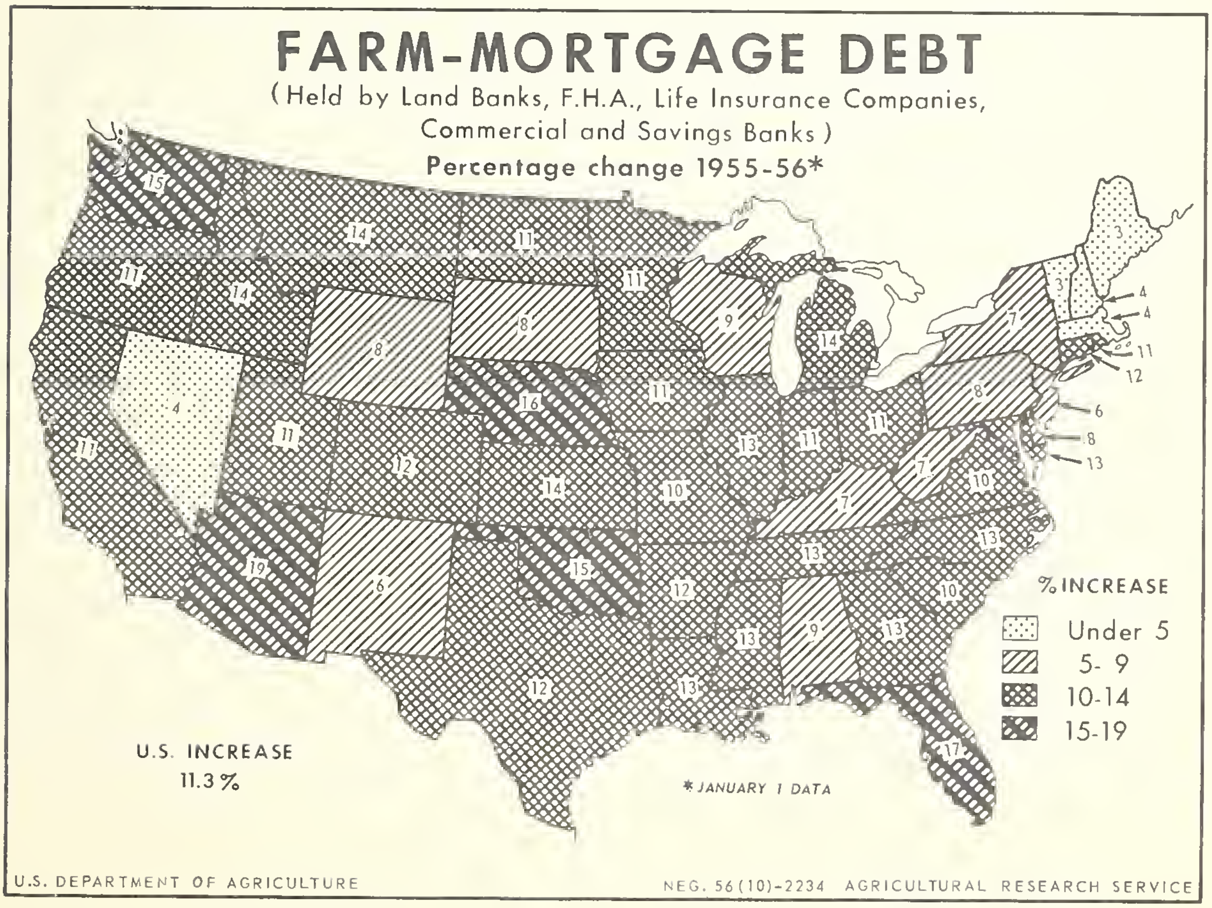


FIGURE 4

their rates one-half of 1 percent in 1956. The Federal land banks of Springfield, Columbia, and Baltimore now charge 5.0 percent; St. Paul, St. Louis, New Orleans, Spokane, and Berkeley charge 4.5 percent; and only Omaha, Wichita, Houston, and Louisville still have a 4.0 percent rate.

Life insurance company interest rates in 1956 were usually up one-half of 1 percent or more, reflecting the higher yields of such alternative investments as corporate and Government securities. The leading companies in this field reported a general basic rate of 5.0 percent in the fall of 1956. Some companies were still quoting 4.5 or 4.75 percent for loans in the better lending areas of the North Central States where the land-bank rate was still 4.0 percent and were shading the 5.0 percent rate elsewhere for particularly desirable loans. A rate in excess of 5.0 percent was sometimes reported for parts of the South and for part-time farmers. In addition, some companies had a service charge to be paid by borrowers. Some companies reported they were limiting their farm-mortgage lending because yields obtainable from other investments made them as attractive as farm-mortgage loans or more so.

A report from a leading life insurance company in the farm-mortgage field summarizes its farm-mortgage policy:

> In order to do this [continue farm-mortgage lending] and handle our other routine loan business we are having to eliminate from consideration all loans in excess of $250,000 . . . . This should assure adequate insurance company money for the family size farm. We have, however, had to increase our rates because of the competitive condition in the money market. At the present time the only state in which we are quoting a 4 1/2% rate is Iowa and will probably have to make a few loans at that rate in Southeastern South Dakota and Eastern Nebraska because of the Federal Land Bank's 4% rate in the Omaha District. In the balance of the Middle West we are quoting a minimum rate of 4-3/4% and expect most of our business to be at 5% or more. Elsewhere our minimum rate is 5% with 5 1/2% in the Southeast. This, I am sure, you will recognize as a favorable rate to agriculture considering the fact that it costs about 1% to make and service farm mortgage and the best long term paper now in the industrial field is yielding a net return of 4% or better.

The purposes of farm-mortgage loans in 1956 were not greatly different from those in 1955. Probably a larger proportion of the money borrowed in 1956 was used to finance real estate purchases. This reflects an increased volume of sales, an increase in real estate values, a higher proportion of farm sales involving credit financing; and for credit-financed sales, a higher ratio of debt to consideration. The proportion of farm-mortgage money borrowed to be used for debt refinancing does not appear to have changed much from 1955, although some increases are reported in the drought areas of the Mountain and Plains States.

Table 3.- Farm mortgages recorded for all lenders: Percentage change, in number, average amount, and total amount, by regions, first half of 1956 from first half of 1955

Region	Percentage change in-		
	Number	Average amount	Total amount
	Percent	Percent	Percent
Northeast	18	-10	6
Corn Belt	-3	5	1
Lake States	-18	11	-10
Appalachian	2	9	11
Southeast	-7	15	7
Delta States	-17	25	4
Southern Plains	-15	-2	-17
Northern Plains	6	4	10
Mountain	-5	15	10
Pacific	-11	20	6
United States	-8	11	2

The chief causes of the rise in farm-mortgage debt in 1956 probably do not lie in any substantial changes in the purposes of the loans, but rather in the factors that increase the average size of loan. Among these are the higher land values and the smaller downpayments previously mentioned, the continued high costs of farm operation, and the substantial investments in machinery and livestock needed for economic farm units. As farmers use mortgage credit for these purposes or to refinance short-term loans for these purposes, the average size of loan tends to rise even though the proportions used for the various purposes change little. In the first half of 1956, the average size of farm mortgage recorded was $7,900, 11 percent above the first half of 1955. The total amount recorded was 2 percent higher, even though the number recorded was 8 percent less (table 3, fig. 5).

The rise in farm-mortgage debt in 1956 is also shown in the increases in holdings of major lenders. On September 30, 1956, the Federal land banks held $1,689 million in farm-mortgage loans, an increase of 16 percent from a year earlier. The increase reflects a rise in the average size of outstanding loan from $4,100 to $4,700, and a 2-percent increase in the number of outstanding loans. Farm real estate loans of banks on June 30, 1956, were 7 percent higher than a year earlier. Member banks of the Federal Reserve System in early October reported that the amount of outstanding farm real estate mortgages was 6 percent above a year earlier. An increase of 11 percent from September 30, 1955, to September 30, 1956, is reported for the major life insurance companies.

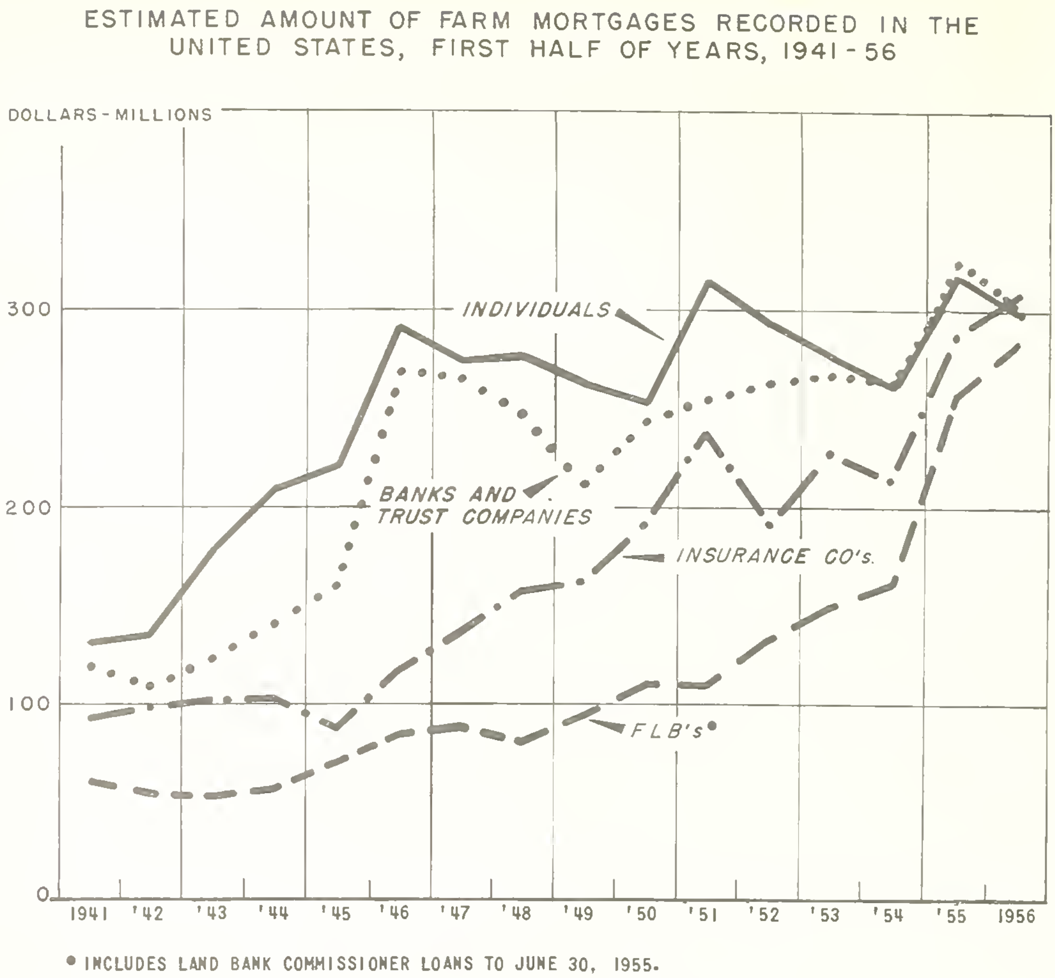


FIGURE 5

Farm-mortgage delinquencies continue to be low although possibly somewhat larger than in 1955. Reports from 16 life insurance companies holding 184,000 mortgages on June 30, 1956, showed only 800 with interest overdue more than 3 months and only 100 in process of foreclosure. The number of delinquent or extended Federal land-bank loans actually declined 7 percent from June 30, 1955, to June 30, 1956. As a ratio to all loans they were 5.1 percent in 1956 and 5.6 percent in 1955.

Apparently, delinquencies are not increasing, except in areas of drought and crop failure. Even in drought areas, however, the repayment record of farmers is better than had been anticipated by some persons. The head of the farm-mortgage department of one life insurance company says, "Each year we have been astounded by the ability of farmers to pay, particularly in portions of the Plains area where drought has been prevalent for the past several years." An increase is expected in delinquencies in the Plains States in 1957 unless the outlook for the 1957 winter wheat crop improves.

Non-Real-Estate Debt.- Indications are that the non-real-estate debt of farmers (excluding CCC loans) will total about $8.2 billion on January 1, 1957, or about 4 percent more than a year earlier. This would be the smallest percentage increase in this type of farm debt in 3 years (figs. 6 and 7).

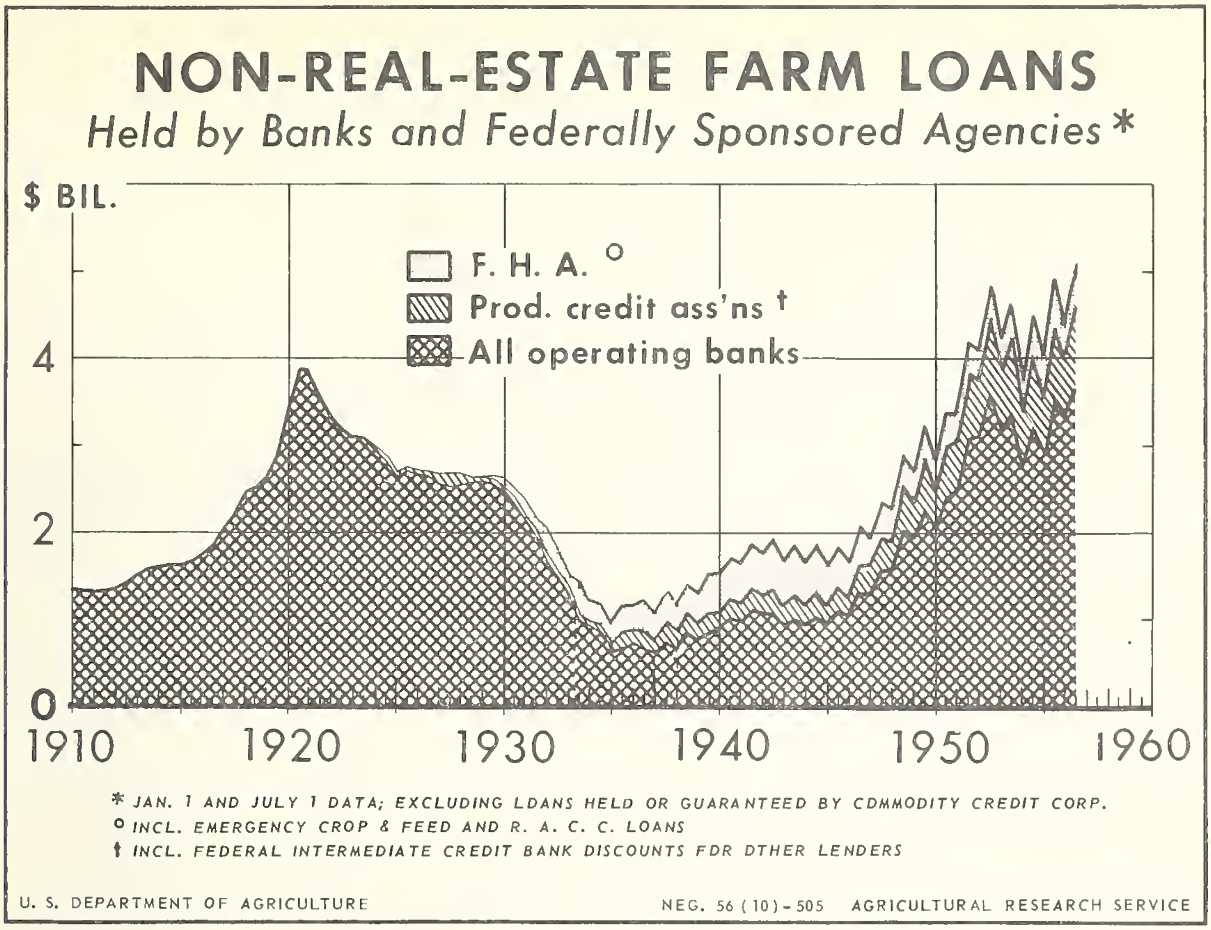


FIGURE 6

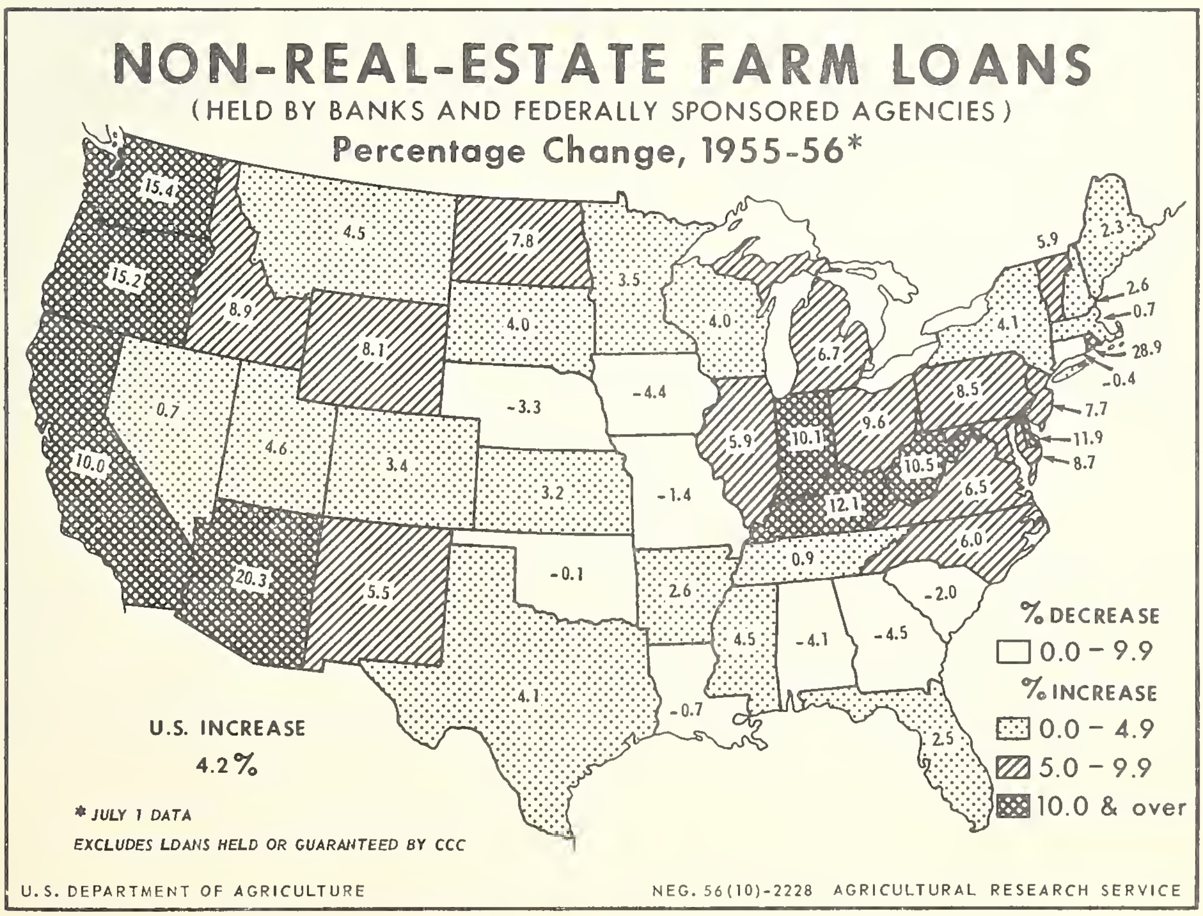


FIGURE 7

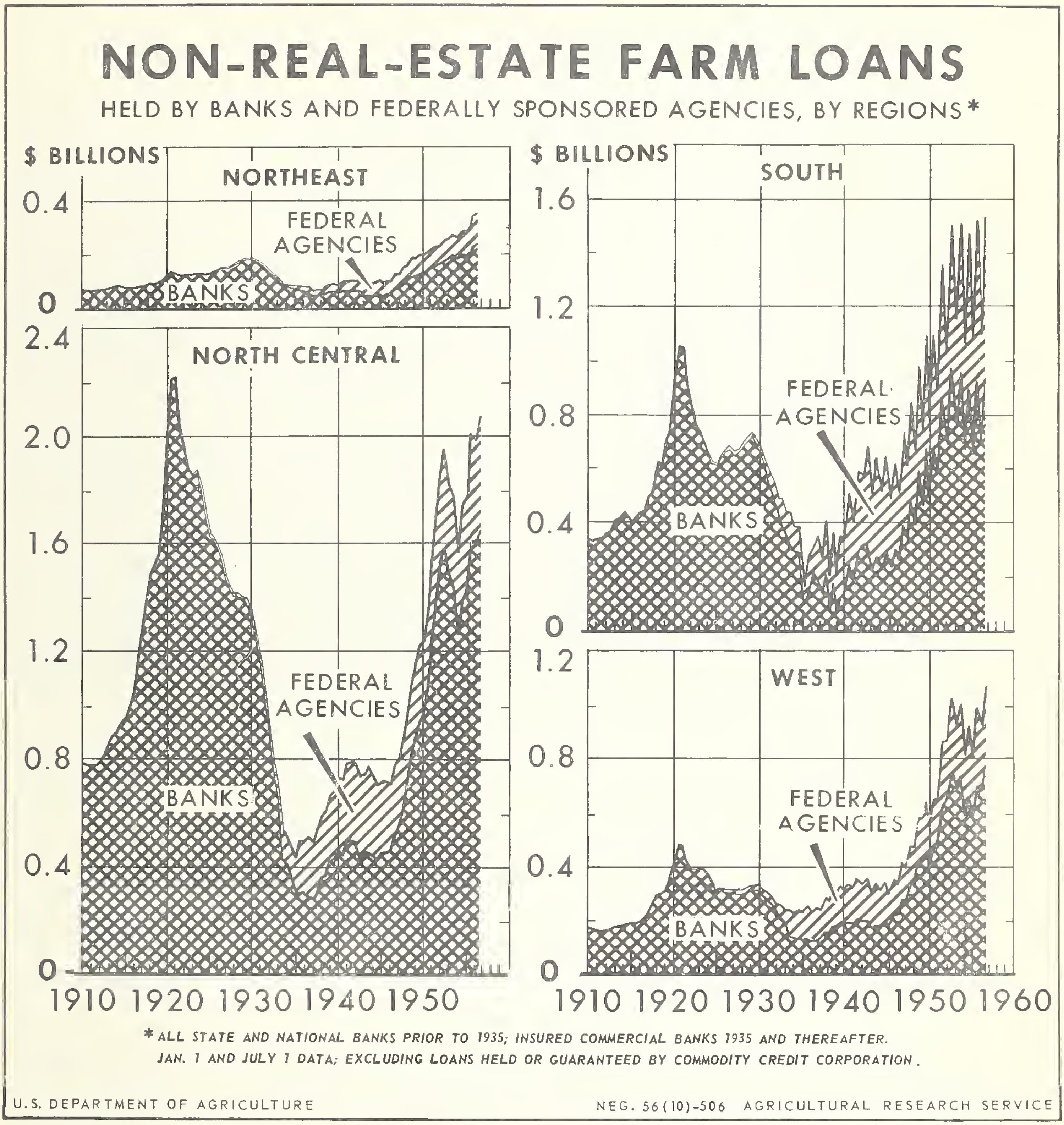
The non-real-estate loans to farmers held by banks and federally supervised agencies on July 1, 1956, showed the greatest increases from a year earlier in the Pacific, Mountain, and Appalachian regions and in the eastern part of the Corn Belt. Decreases from a year earlier occurred in the southeast, western Corn Belt, and a few other States (fig. 8).

Many things tend to expand the non-real-estate debt of farmers. These include rising costs, the cost-price squeeze, the increasing use of fertilizer and insecticides, increases in the size of farms, and the continuing mechanization of farm operations. At the same time, other factors work in an opposite direction or tend to moderate the expansion of non-real-estate debt. For example, at mid-1956, fewer cattle were on feed in the Corn Belt than a year earlier. This held down the need at that time for credit to carry feeder cattle in that region. Excellent returns from crops produced in 1955 enabled farmers in many southern States to liquidate debts carried over from earlier years and moderated their need for credit in 1956. Many farmers in all parts of the country have cut down on purchases of tractors, farm machinery, automobiles, and motortrucks, and have postponed improvements in buildings, in order to reduce their outlays and conserve their funds. Considerable amounts of non-real-estate debt are being refinanced with long-term mortgages in order to reduce the payments that farmers must make each year. Moreover, in the areas most severely affected by drought, many farmers have reduced operations and some have sold part or all of their livestock.

Despite the cost-price squeeze, acreage restrictions for important crops, and severe drought in extensive areas, most farmers continue to maintain a good credit standing. Lenders report that repayments of loans are excellent and that they have few delinquent borrowers. Moreover, most of the farmers who were interviewed indicated that they would be able to pay their non-real-estate loans on schedule.

Apparently, the tight monetary situation that has prevailed during the last year has not caused shortages of credit to farmers generally or increased very much the cost of credit to farmers. Most farmers who reported in the survey indicated that it had been no more difficult this year than last to obtain the credit they requested. Moreover, both banks and production credit associations expanded their non-real-estate loans to farmers during the last year, whereas loans of the Farmers Home Administration, which are less subject to money-market influences, declined slightly. With farmers who have not been able to get all the credit they needed, the cause apparently has been an adverse change in their individual financial situations and prospects.

Price-support loans of the Commodity Credit Corporation to individual farmers, including certificates of interest in pooled loans and guaranteed loans held by other lending agencies, are expected to total about $2.7 billion on January 1, 1957, compared with $1.9 billion a year earlier. The main reason for the increase is that the time for payment of the loans on 1955 cotton was extended from the maturity date, July 31, 1956, through December 31, 1956.


NON-REAL-ESTATE FARM LOANS
HELD BY BANKS AND FEDERALLY SPONSORED AGENCIES, BY REGIONS*
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1910 1920 1930 1940 1950
1910 1920 1930 1940 1950 1960
* ALL STATE AND NATIONAL BANKS PRIOR TO 1935; INSURED COMMERCIAL BANKS 1935 AND THEREAFTER. JAN. 1 AND JULY 1 DATA; EXCLUDING LOANS HELD OR GUARANTEED BY COMMODITY CREDIT CORPORATION.
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FIGURE 8

FARM FINANCIAL ASSETS

For the country as a whole, the liquid assets that farmers hold in the form of cash, bank deposits, and United States savings bonds are not expected to be greatly different on January 1, 1957, from a year earlier. The net worth of farmers' cooperative associations, however, increased slightly, adding $0.2 billion to the total financial assets of farm people. Equities in these cooperatives, of course, are not readily available in cash to members.

The stable position of farmers with respect to their liquid assets may not be quite as favorable as is indicated. Some of the money on hand consists of proceeds from livestock that had to be sold in drought areas because of the shortage of feed and poor pastures. Also, some of the cash and bank deposits came from loans which are higher than a year ago. For the first time in the postwar period, aggregate farm debt (excluding CCC loans) on January 1, 1957, is expected to exceed the liquid financial assets of farmers by 7 percent. At the beginning of 1956, debts and liquid assets were about equal. In 1950 and 1945, debts were only 69 and 59 percent, respectively, of liquid assets.

For the some 300 farmers who were interviewed in the Outlook surveys, 62 percent indicated that their financial savings were about the same as a year ago. About a fourth of the farmers said their savings had decreased and the other 12 percent that they had increased. Areas in which more financial assets were frequently reported included the eastern Corn Belt, North Dakota, the general farming section of Idaho, and the Delta region. The drain on savings was the severest in areas of drought covering the Plains, much of the Mountain region, and the western Corn Belt. Many farmers in these areas reported that they had found it necessary to draw on reserve funds for living and other essential purposes. In many parts of the Southeast, where financial assets are ordinarily low, further reductions were made.

FARM TAXES

The year 1957 is expected to be the 16th consecutive year in which taxes paid on farm property have increased. These taxes are expected to be about 5 percent higher in 1957 than they were in 1956. Most of the increase will be on real estate, which bears about four-fifths of the farm property tax-load. For the country as a whole, real estate taxes are expected to be up by slightly less than 6 percent. A smaller increase is anticipated in taxes on farm personal property, such as automobiles, farm machinery, and livestock.

An increase is expected in Federal income taxes payable on 1956 income by farm people in 1957. The 1956 taxable income of farm people from all sources, and their income taxes, are expected to be up, chiefly because of Government payments and nonfarm income. An increase is also expected in self-employment taxes of farmers for social security.

INSURANCE

The insurance carried by farmers' mutual fire insurance companies increased by about 5 percent in 1955, because farmers were covering their higher property valuations more adequately. As farmers tend not to increase their policies until renewal dates (5-year policies are most common), the amounts of insurance lag behind property values. In a period of rising prices, this means that property values are underinsured. However, expenditures of farmers for property insurance have increased gradually since the 1930's and are expected to increase in 1956 and 1957. Premiums paid by farmers are also expected to increase.

Because of severe drought in parts of the Great Plains and the western Corn Belt, indemnities paid to farmers during 1956 by the Federal Crop Insurance Corporation will exceed premium collections. Losses were especially high on wheat and corn. For 1957, a limit has been set on the amount of new insurance that may be written in each county, in an effort to reduce the amount of indemnity payments in areas where crop prospects are unfavorable during the sign-up period. The new multiple crop-insurance program will be extended to farmers in additional counties, particularly for soybeans and corn. Under this plan, a farmer may elect the crops to be insured under one contract and have his losses settled by individual crops.

The experimental program on tree crops was extended to peaches in two counties in 1956. The protection was against unavoidable crop loss due to frost, freeze, hurricane, tornado, hail, and windstorm (when accompanied by hail). In order to keep the premium low, the insurance is being tried on a 40-percent deductible basis.

Damage to growing crops by hail was much above average in 1956. Payments to farmers for insured losses will nearly equal premiums collected by stock and mutual companies and 3 State hail departments that sell this type of insurance.

REGIONAL SITUATION AND OUTLOOK

NORTH

In this region, which includes the Northeast,1/ the Lake States,2/ and the Corn Belt,3/ the agriculture consists chiefly of dairying and production of feed grains and livestock, including poultry. However, extensive areas are devoted to production of fruits and vegetables and to general farming. Because of improved prices for dairy products, hogs, and cattle, and, in many areas, excellent feed crops and favorable growing conditions and prices for fruits and vegetables, the financial situation of farmers in most parts of the region appears this fall generally to be as strong, or slightly stronger, than

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1/ Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, and Maryland.
2/ Michigan, Wisconsin, and Minnesota.
3/ Ohio, Indiana, Illinois, Iowa, and Missouri.

a year ago, despite the higher costs in 1956. Cash receipts from farm marketings from January through August, increased more from 1955 to 1956 in the Northeast and Lake States than in the country as a whole. Indications are that, for the entire year, all subregions of the North will have gains that exceed the national average.

In some parts of the region, however, adverse weather in 1956 reduced yields or quality of the crops. This has either lowered the incomes or increased the costs of farmers, depending on whether the damaged crops were intended for sale or for feed. The more extensive areas in which crops were damaged by adverse weather include the Hudson Valley and western New York, southern Maryland, western Pennsylvania and eastern Ohio, and a group of counties in central and western Iowa. In many instances, however, the effects of the damage to crops will be reflected more clearly next year in the financial condition of farmers than it is at present.

Dairy and poultry, and, in some areas, fruits and vegetables, are major enterprises of the Northeast and Lake States. Several counties, in which these types of agriculture predominate, were surveyed in preparation for the outlook.

With some improvement in prices of dairy products, most reporters describe the financial situation of dairymen in the North as about the same to slightly stronger than last year in areas where good feed crops were produced. Producers of grade A milk apparently have fared better than producers of grade B milk, and the larger producers are having more success than small producers. In general, however, the profit margins of dairymen remain low. One reporter from a dairy area in New York stated "Many . . . farms in this area consist of herds numbering from 18 to 25 animals. Dairy cows of average producing ability on many of these farms do not produce income enough to satisfy a farm family's requirements. More of our farmers would probably like to give up . . . farming . . . because of the lack of net farm profits . . . but farms are not selling very readily and livestock and equipment prices are too low."

Following is a brief review of reports for 2 counties in which dairying is important.

Merrimack County, N. H., produces largely for fluid milk consumption. Reports from both dairy farmers and lending agencies that serve the county indicate little change in the situation of dairymen from last year. Both the income and the costs of dairy farmers were higher this year, and dairy farmers apparently used somewhat more credit in 1956 than last year. Payments on debts to lending institutions appear to be holding up well, but several merchants reported that farmers were slower in paying their accounts. Of the 11 dairy farmers interviewed, only 2 thought that they were in weaker financial condition this fall than a year ago; and 5 considered their financial position stronger. The debts of dairy farmers in this county showed little change. All except one reported that their liquid reserves were equal to, or greater than, the amount held a year earlier.

Most of the dairy farmers in this county reported that their total expenditures were greater in 1956 than in 1955. This was chiefly because of higher operating and living expenses. Few reported increases in expenditures for farm machinery and motor vehicles, livestock, or farm improvements. Merchants and dealers reported declines in sales to farmers of feed, fertilizer, tractors and farm machinery, automobiles and trucks, and building materials, but higher sales of repair services.

Monroe County, Wis., produces largely for manufacturing purposes. In this county, 15 dairy farmers were interviewed. Slightly more than half reported that their gross incomes were lower in 1956 than in 1955; all except 3 reported that their expenditures were greater. Nevertheless, 7 reported a decrease in debts from last fall; only 2 reported a decrease in liquid reserves; and 8 considered their financial situation to be slightly improved. Among lending agencies interviewed, there was an equal division of opinion as to whether the financial situation of dairy farmers in the county was slightly better, slightly worse, or about the same as last fall.

Increased operating and living expenses were the chief cause of higher expenditures of dairy farmers in this county in 1956. Reports from about half of the farmers also indicated an increase in expenditures for farm improvements, but of two interviewed merchants who handled building materials, one reported an increase, and the other a decrease, in sales to farmers. Of 6 dealers in feed and fertilizer who were interviewed, 3 reported an increase in sales and 3 said that sales to farmers were about the same as last year.

Apparently, dairy farmers in this county did not use a significantly larger amount of credit in 1956 than in 1955. Apparently, most of them were able to make payments on their loans as scheduled. However, of the 7 merchants interviewed, 4 reported that collections from farmers were down this year.

The poultry enterprises have not been in as favorable a position this year as the dairy enterprises. Producers of market eggs have had a less favorable year than producers of hatching eggs because of lower prices for market eggs. Broiler producers, especially those who do not produce under contracts with dealers or processors, have had the worst year of all.

A reporter from an eastern State commented as follows: "Without doubt, the darkest spot in the agricultural horizon this year is occupied by poultrymen . . . . From the poultryman's standpoint, 1955 was a pretty good year. Demand held steady and prices of both eggs and poultry were not too bad. Some new operators went into the business and many more were encouraged to expand. So it is not surprising that all through 1956 we have had too many chickens and too large a supply of eggs . . . . Many poultry farmers have found themselves . . . unable to reduce debts. Some have found the situation so difficult that considerable new indebtedness has been incurred just so they could stay in business. Loan carryovers and delinquencies have been much more prevalent this year than last among our poultrymen."

In Merrimack County, N. H., 11 producers of market eggs, in addition to the dairy farmers discussed above, were interviewed. Two of these producers had dairy herds, two had supplementary jobs, and 4 were retired businessmen who had other sources of income. Only 3 depended solely on their poultry operations. Whether these producers were representative of producers of market eggs is not known. But their financial situation does not conform to the description of poultrymen quoted above. Only 5 reported any debts and these were about equally divided between those who reported increases and decreases of debt during the year. Only 2 indicated that they had any difficulty in making payments that were due.

Of the 11 producers, 3 considered that their financial condition was stronger this fall than a year earlier, 3 that their condition was weaker, and 5 that their situation was about the same as last year. This is a somewhat less favorable condition than that reported by dairy farmers in the county, although not greatly so.

Sussex County, Del., is the largest broiler-producing county in the country. The entire economy of the county is tied, either directly or indirectly, to the production of broilers. The price of broilers has been low, particularly during the last half of the year. However, most farmers are producing broilers under guarantee or feed-conversion plans so that they get some income regardless of the price of chickens. Also, in 1956, low income from broilers is offset by good crops of corn and soybeans. One reporter described the situation in Sussex County as follows:

> "Last year poultry and eggs 'saved the day' for many a farmer whose crops turned out near-failures in the freakish weather. This year, it's crops that are counted on to offset a poor season in poultry, or eggs, or both."

The 14 broiler producers interviewed in this county included only those who operated farms and had income from other farm enterprises as well as broilers. Only 5 stated that they used credit in 1956 and, of these 5, only 1 indicated that he had difficulty in making the payments as they became due. Most of them said that their financial condition was about the same this fall as a year earlier.

Most of the reporting farmers indicated that their operating and living expenses were higher in 1956 than in 1955, whereas only 5 reported increases in their incomes. Apparently, economies have been made by postponing purchases of farm machinery and automobiles and delaying farm improvements. Dealers report that sales of automobiles, trucks, tractors, and farm machinery are down substantially from a year ago but that farmers have spent more for repairs. Of 7 dealers interviewed, 4 reported that farmers have become more cautious about buying on credit.

Lending agencies apparently increased their loans to farmers in Sussex County this year, but they report no increase in loan delinquencies. As a group, they regard the financial position of broiler growers as considerably poorer than a year earlier. In this appraisal, they may be influenced by the

situation of the many growers for whom broilers are the chief source of income and also by the situation of growers who do not produce under contracts with dealers.

Fruit and vegetable growers in the Northeast for the most part appear to have had a favorable season in 1956. However, conditions were spotty and some growers did much better than others. Some of the major differences are reflected by the following quotations from reporters.

> "Vegetable and truck farmers in southern New Jersey call 1956 a 'once in a life-time year'. Others in southeastern Pennsylvania and in Delaware seem almost equally enthusiastic. What the apple and peach crops lacked in size seems to have been largely offset by unusually high quality and good color that spelled better prices than were received in 1955."

> "Farmers [in central New York] who depend primarily on income from snap beans, potatoes, and cabbage are having more than their normal share of problems this year."

> "Apple growers [in New York] who have reasonably good crops appear likely to make substantial profits but there are some with very short crops, particularly in the Hudson Valley area."

> "Bulge in potato prices last spring was an enormous boost for farmers [Aroostook County, Maine] who still had potatoes unsold. Present low prices reflect the very large crop."

Two counties in fruit or vegetable areas were surveyed. Following are the reports on these counties.

Aroostook County, Maine, is the largest potato-producing county in the country. The 1955 potato crop was large and part of the crop was diverted into starch at prices below cost of production. However, late winter and early spring potato-producing areas of the South had small crops so the remaining portion of Maine's crop sold for high prices this spring. Farmers who held their potatoes made good profits and strengthened their financial position.

This fall an even larger crop was harvested. However, heavy frosts in early October damaged a considerable part of the crop. Moreover, a considerable part is in temporary storage and must be moved before winter sets in. In view of this situation, many farmers believe that prices will strengthen although probably not much before the new year.

In this county, 15 potato growers were interviewed. Of these, 6 reported that their debts were higher this fall than a year ago, 6 reported lower financial reserves, and 6 a weaker financial condition. Only 3 thought that their financial condition had improved. Most of the farmers interviewed

reported that their incomes were lower in 1956 than in 1955 and nearly all indicated that their expenses had been higher. Farmers' appraisals of their financial condition were strongly influenced by the low price of potatoes this fall. Most lenders indicated that they considered potato growers to be in a somewhat better financial position this fall than a year earlier.

Lending institutions report that they loaned more money to potato growers in 1956 than in 1955. The larger crop and increased labor costs were responsible for increased borrowing. Loans made in 1955 apparently were paid before planting time this spring. Slower payments are anticipated on 1956 crop loans because of low prices and the probability that farmers will hold much of their crop until late spring, hoping for a repetition of the price increase that occurred this spring.

Merchants and dealers reported that their business was poorer in 1956 than in 1955 as farmers were more cautious in their buying. Sales of farm machinery and equipment were much lower as were sales of new cars. Sales of insecticides and fungicides were up slightly because of the weather during the growing season. Collections are reported by merchants and dealers to be about the same as last year.

Orleans County, N. Y., lies along Lake Ontario, in the fruit- and vegetable-producing area of western New York State. The 11 farmers interviewed in this county produced mainly apples, cherries, tomatoes, cabbage, and cucumbers. They had few livestock.

A majority of these farmers, particularly those who had little fruit, thought that their incomes in 1956 would be somewhat lower than in 1955. Expenditures appeared to be running a little higher in 1956 because of higher prices and a late, cool, wet season which increased costs. Five farmers said they used more credit in 1956 compared with 1 who used less credit and 3 who used about the same amount as last year. Of the 9 farmers who reported debts, 6 believed they could meet scheduled payments and 3 thought that they could not do so.

In general, it appears that the financial position of the farmers interviewed was slightly weaker than a year earlier. An evaluation by lenders in the area indicated that fruit farmers are in much better condition because of improved prices but that specialized vegetable producers are worse off.

Merchants and dealers report a decline from 1955 to 1956 in sales of fertilizer and lime, building and fencing materials, and farm machinery. Reasons given were that the late spring and the cool, wet summer reduced vegetable yields, that the soil bank has reduced the acreage seeded this fall, and that farm income was lower. Some of the dealers reported that it had become more difficult to make collections from farmers.

Most of the Corn Belt had excellent crops this year, and with higher prices of cattle and hogs, the financial condition of farmers in this region appears to be stronger than a year ago. However, adverse weather reduced

yields or impaired the quality of the crops in some areas. The following comments from reporters reflect these differences:

> "In northeastern Ohio a considerable area was affected by a late, cool, rainy spring. Excessive rain continued throughout the summer. Little hay or small grain could be harvested. Late planting of corn and beans, coupled with early frost, has severely affected yields. [Elsewhere] most of the district had normal or above conditions."

> "Broadly speaking, two sharply different conditions exist among farmers in the Seventh Federal Reserve District [comprising Iowa, Michigan, and most of Illinois, Indiana, and Wisconsin]. In western Iowa and a few scattered areas where drought has been serious, there is evidence of financial stringency. Elsewhere in the district, the financial condition has improved due to bumper crops and higher livestock prices."

> "We [in Central Illinois] have a very excellent corn crop. I I think it is going to be the best we have ever had."

> "Our area [Western Iowa] has been very dry throughout 1956 and the crop ranges from a complete failure to fair yields in a few scattered spots where timely rains were received. Federal crop insurance and soil bank payments have relieved the immediate pinch but I am afraid next summer will find some farmers out of operating capital."

> "Minnesota has the largest corn crop in its history and most of it is of good quality. The general upturn in the price of hogs and some improvement in the price of cattle have greatly improved the situation in corn areas compared with the year previous."

Three counties in the Corn Belt were surveyed to obtain information concerning the current financial situation of farmers.

Benton County, Ind., is representative of the eastern cash grain area of the Corn Belt. In this county, 14 farmers who ordinarily sell a large part of the grain they produce were interviewed. The financial condition of most of these farmers reflects some improvement over a year ago. Yields of wheat, corn, and beans are generally enough higher this year to offset lower prices. Costs are up slightly but in many instances, purchases have been pared to hold down total expenditures. Savings are at about the same level as a year ago. Only 3 of the 14 farmers drew upon their savings; one as a result of family sickness. A surprising number (6) used no credit except convenience credit with dealers.

Automobile dealers report that sales of new automobiles are 20 percent down from last year. The used car business is fairly good, while parts and service business is on par with 1955. Overall sales of new machinery appear to be lower. Construction is reduced somewhat.

There was little if any increase in the amount of credit used by farmers in this county in 1956, compared with 1955. Debt delinquency appears to be less than a year ago.

Story County, in the cash grain area of central Iowa, has suffered from severe drought. In the central and northern parts of the county, quite a few farmers have been surprised to get corn yields of 50, 60, and even 75 bushels per acre but in the southern part of the county, for the most part, yields of corn do not exceed 40 bushels per acre. In this county, a considerable part of the corn acreage was not harvested but was placed in the soil bank. Of 14 cash grain farmers who were interviewed in this county, 6 reported higher debts, 4 lower liquid reserves, and 5 a weaker financial condition than a year earlier. Nine of these farmers used credit in their operations this year. The total amount used appears to have been about the same as last year. Of the 9 who used credit, 4 report that they will not be able to pay their loans on schedule.

Purchases of new machinery and new automobiles have been reduced drastically, and merchants generally report that farmers in the county are buying cautiously. Payments of accounts have slowed noticeably.

Many farmers are increasing their numbers of milk cows and chickens. Hog production and cattle feeding have decreased. An important development is the large percentage of farmers who are doing off-farm work. Most of them started work this summer. Also, some wives are working off the farm or are doing typing at home.

In Bureau County, Ill., which is an important cattle feeding county, 16 cattle feeders were interviewed. Twelve of the 16 reported that their financial condition was stronger this fall than a year ago; none reported a weaker situation. Fourteen used credit in their operations during 1956. Apparently the amount used was about the same as a year earlier. All who used credit indicated that they were able to meet scheduled payments when they were due. The factors primarily responsible for the improved condition of cattle feeders in this county were good crop yields and higher prices for cattle and hogs.

Business generally has been down in 1956 for merchants and dealers, particularly those handling tractors, farm machinery, automobiles, and motortrucks. However, a strong business revival has occurred within the last 30 to 60 days, since cattle prices have improved, and merchants in general are now optimistic. Collections on accounts are reported to be as good as in 1955.

All farmers interviewed reported that they were able to get all the credit they needed to operate their farms in both 1955 and 1956. This was true of the younger tenant farmers as well as established owner-operators.

SOUTH[4/]

For the South as a whole, cash receipts in 1956 may not differ greatly from those in 1955. Prices at which southern farmers have sold their products have been generally somewhat higher, with some notable exceptions such as cotton and broilers. Incomes of dairy farmers have been stable to slightly higher. Producers of citrus, other fruits, and early vegetables have had relatively favorable prices, and in many instances, a favorable production situation. The reduction in allotments, however, was reported to have curtailed production for many producers of cotton, tobacco, rice, and sugarcane. Cash expenses remain at a high level. Further, after the favorable weather of 1955, dry weather returned to scattered sections of the Southeast and Delta regions, especially the Piedmont area. Drought, which has prevailed for the last several years in Texas and Oklahoma, became worse in 1956.

Of the farmers interviewed in October 1956 in 8 selected counties of the South, about two-thirds indicated that their financial condition was the same or better than a year ago, and the rest believed that their debt and financial position had deteriorated. Of those who reported on their financial savings, a fourth indicated that their savings had declined, about 10 percent reported an increase in savings, and the rest said there was no change in their savings. Even when cash receipts were good, many farmers apparently used income to pay old debts or catch up on needed equipment and other goods. Farmers appear to be doing their best to keep their debts current and lenders reported few delinquencies and debts. In many instances, farmers, or members of their families, have obtained off-farm income. The income position of some cash-crop farmers has been helped by the addition of alternative enterprises such as dairy and beef. Economic pressure is greatest for small farmers, many of whom have sold or leased their land to other farmers and now look to other sources for their income.

Because the economies of many areas in the South continue to be tied largely to cotton, several counties in which cotton is important were surveyed. These counties were chosen to reveal the credit and financial situation of cotton farmers under different conditions of weather, size of operation, and enterprise combination.

In the Piedmont area of the Southeast, where cotton is the main source of income, indications, based on a survey of Laurens County, S. C., are that the financial condition of farmers is somewhat less favorable than a year ago and that the outlook of many of them is pessimistic. The less favorable conditions stem largely from the decline in cotton yields because of drought during the growing season and storm damage at harvesttime. The decline in income was accentuated by acreage reductions and less favorable prices for cotton. Expenditures for irrigation and labor increased for many, but most farmers sought to cut expenses by restricting purchases for machinery, automobiles, household furnishings, and other items.

4/ The following States were included in the South: Virginia, West Virginia, North Carolina, Kentucky, Tennessee, South Carolina, Georgia, Florida, Alabama, Mississippi, Arkansas, Louisiana, Texas, and Oklahoma.

The only farmer interviewed in Laurens County who reported an increase in financial savings over last year was one who had a peach enterprise. Six reported that their savings declined or that they had none, and 5 indicated that their savings remained about the same. Bankers in the area estimated that deposits of farmers as a whole were down from a year ago. However, most farmers expected to pay all their scheduled debt payments but it would take a large share of their 1956 income to do so. Local lenders do not expect collections to be a problem but they may be slower than last year. Collections by merchants also were reported to be somewhat slower.

Considering the short crop in the Piedmont, many farmers will need to borrow to meet their operating expenses next season. The availability of credit is not expected to change much but interest rates may rise a little and more security may be required. Some short-term debts may need to be converted to a longer term basis. However, farmers are expected to be more conservative in borrowing from lenders and in buying on credit from merchants. Merchants report that sales of machinery dropped off in the summer when it became known that the cotton crop would be short. Sales of appliances and household goods continue to be relatively strong but they are made mainly to farmers who have off-farm income.

Those farmers in the Piedmont who have fared the best financially are those with off-farm income, and those with efficient diversified enterprises.

In the <u>cotton-peanut area of southern Georgia</u>, as reflected by a survey of Terrell County, the financial situation of farmers is somewhat better than in the Piedmont. Production of cotton is down slightly from 1955 but production of peanuts, despite a small cut in acreage, was higher than last year. Feed and pasture crops also were relatively good. It is expected that farm income will be as high this year as it was last. Of the 14 farmers interviewed, 4 said their financial condition had improved, the condition of 2 was less favorable, and 8 reported no change.

More credit was needed this year to meet the higher operating expenses but in most instances farmers had little difficulty in obtaining it. Farmers are generally meeting their debt payments on or ahead of schedule and some are paying on old loans of previous years. Merchants and lenders report that collections will probably be as good as or slightly better than last year. There are indications that the amount unpaid from 1956 loans will be smaller than with 1955 loans. The debt position of farmers appears to be stronger now than it was a year ago.

The merchants and dealers interviewed indicated that, in general, farm business was as good as last year. Sales of implements were up and sales of fertilizer were running about the same as a year ago. Sales of feed were lower, largely because of good feed crops and good pastures.

Despite the good crops in the cotton-peanut area of southern Georgia, farmers are operating on a narrow margin. In some instances, machinery needs are allowed to accumulate. Also, improvements such as fencing are postponed because of high costs and shortage of funds. Most severely squeezed

financially are farmers with small allotments, particularly those who are staying with a cash-crop system of farming.

In many cotton areas of the South, livestock and dairy farming are becoming more and more important. One of these areas is the Black Belt of Alabama from which Dallas County was surveyed. Farm income in that county in 1956 was relatively good but not so good as in the favorable year 1955. Income from cotton, which is still the most important source of income, was down somewhat from last year. Beef farmers were reported to be better off because of good pastures and steady to higher prices. Income of dairy farmers is believed to have changed little from a year ago.

Before 1955, this area experienced several dry years which caused a build-up of debt and financial hardship for many farmers. The generally excellent crop yields last year permitted some reductions of old debts. Although 1956 incomes are not quite so good, some further reduction in debt is expected by many farmers. Only 2 of the 13 farmers surveyed who produce livestock reported they might have some difficulty in meeting debt payments on time. The cash and liquid asset position will be little different but many farmers, especially beef producers, will be in somewhat better financial condition. The financial condition of most dairy and cotton farmers probably will not differ much from that of last year.

For Dallas County as a whole, credit seemed tighter for marginal borrowers in 1956, but those with established credit and adequate security had little difficulty. All of the livestock producers who were interviewed reported little change in the availability of credit. In the past, cotton was the main factor considered in the extension of credit. Now, many institutions are extending credit on livestock enterprises strictly on the merits of these enterprises, and an increasing share of the total credit in the area is going for livestock production. Farmers in general, however, may have imposed somewhat more credit restraint upon themselves than in 1955. Nevertheless, expenses of most farmers increased and there are indications that sales of farm machinery in the county were larger.

In the river deltas of Arkansas, Mississippi, and Louisiana, farmers specialize in cotton to a high degree. To obtain indications of the financial condition of farmers in these areas, Mississippi County, Ark., was surveyed. It is predominantly an agricultural county which is believed to be reasonably representative of conditions in all eastern Arkansas delta counties. Because of a dryer season, production of cotton in Mississippi County declined somewhat from the very favorable yields of 1955. But an exceptionally good quality of cotton helped to maintain income. For some farmers, enterprises other than cotton were proving profitable. As compared with 1955, most of the 15 farmers interviewed were expecting somewhat smaller gross incomes in 1956 and about the same to slightly higher operating expenses. The items involved in the higher expenditures were fertilizer, labor and repairs, but two-fifths of the farmers spent more for new equipment than in 1955.

The financial condition of most of the farmers interviewed was about the same as a year earlier. Most of them had about the same amount of money

on deposit. Although farmers appeared to be cautious in their use of credit, the 1956 crop loans did not differ significantly from those of 1955. All of the farmers who borrowed were repaying production loans on schedule. One operator, however, found it necessary to refinance on longer terms the debt on a cottonpicker that was bought in 1955. Lenders usually reported that payments were as good if not better than last year. Also, most of them reported that the financial and savings position of farmers had generally improved.

When the financial position deteriorated, the deterioration often occurred with farmers who operated relatively small acreages. These smaller operators were more seriously affected by the cost-price squeeze and were more outspoken in their complaints than were the larger operators. One of those interviewed who operated rented land was considering shifting to nonfarm employment.

Many of the lenders and interviewers who reported on various sections of the South commented on the expanding use and importance of supplemental irrigation. These reporters indicated that because of the unfavorable distribution of rainfall, Delta cotton farmers could increase their average yield per acre by half a bale with proper irrigation. At times, this would mean the difference between a good crop and a crop failure. But irrigation involves heavy expenditures for wells, piping systems, and ground leveling. Operating expenses for fertilizer, and control of boll weevils and weeds usually are greater also. If the trend to irrigation spreads, a substantial rise in debt - both long-term real estate debt and short-term production debt - may be anticipated.

For many sections of Oklahoma and Texas, the 1956 drought was one of the worst experienced. It is reported that in some areas, farm people have used up their savings and are going in debt even to buy necessities. Demand for credit remains high and private lenders are scrutinizing requests carefully. More and more farmers, especially dryland farmers, are financed by the Farmers Home Administration.

Repayment experience on this year's advances, nevertheless, is expected to be generally good. Farmers have reduced both their expenditures and use of credit. Bankers indicate that farmers have postponed building improvements and that purchases of machinery are low. One banker estimated that purchases of capital items were only half the normal requirements. Many operators obtained off-farm work or were helped in repaying production loans by soil-bank payments. Some farmers, however, are having difficulty in meeting payments on loans incurred for capital improvements.

The number of foreclosures and forced liquidations continue to be relatively few in the Southern Plains. Some farmers and ranchers, however, have liquidated their livestock holdings or have sold land in order to pay a heavy indebtedness that has accumulated in the last several years. Dryland farmers in western Texas appear to be experiencing severe difficulty. The financial condition of farmers in irrigated areas is believed to have been better maintained than that of farmers in nonirrigated areas.

Crop conditions in the Blackland area of Texas were particularly poor in 1956. A survey in Ellis County, which is believed to be representative of that area, found the yield of cotton to be about one-fourth of a bale per acre. Yields of corn, grain sorghum, and small grains were very low. Pastures were depleted and yields of hay were poor. Many farmers were forced to sell most or all of their livestock because of inadequate feed and water supplies.

The net worth of Blackland farmers no doubt has been reduced. Each of the 4 bankers interviewed reported that in 1956 deposits of farmer customers did not hold up as well as for others. Of the 17 farmers interviewed, 14 said that their financial conditon was worse than last year, and 3 reported it to be the same. None indicated that their financial situation had improved. The amount of savings held by 6 of these farmers declined and savings of the remaining 11 were about the same. The debt situation, however, does not differ much from that of a year ago. Credit appears to be available from a number of sources but farmers are cautious in using it except for necessities. Labor costs for hoeing and harvesting were reduced because of the low production and use of fertilizer and insecticides was curtailed. Expenditures for equipment, buildings, and repairs were postponed, except in emergencies. Some of the pressure from the drought condition is relieved by off-farm work. Many of those with possibilities of off-farm income are considering putting their entire farms in the acreage conservation reserve of the soil-bank program.

The following statement was made by our interviewer as summarizing the situation in the Blacklands.

> "A farm owner-operator is 'sitting tight,' reducing purchases to essentials, using credit with extreme caution, and praying for rain! The landlord is marking off 1956 as a 'bad year.' A tenant gets off-farm employment or quits farming. Country banks will live off nonfarm customers and shift marginal accounts to FHA in increasing numbers. Farm-trade dealers are hard hit by the low income of 1956, following below normal years of 1955 and 1954."

Florida is one southern area outside the Cotton Belt where farm income is expected to be better as a whole than in 1955. There are variations, depending partly on the weather. In several areas in which cash crops are produced, it was extremely cold in early spring, followed by very dry weather. Incomes also varied by type of product. Citrus growers generally experienced a good year because of good yields and favorable prices.

Citrus producers in Lake and Orange Counties in central Florida were surveyed and their credit and financial situations were found to be satisfactory. Although a few reported reduced gross income in the 1955-56 season as compared with 1954-55, the incomes for both years were believed to be well above the longtime average. On the basis of the large crop on trees and the favorable price forecasts and contracts negotiated, income for the 1956-57 season may be even higher.

Citrus farmers were in substantial agreement that expenditures were higher because of increased wages and machinery prices; credit needs were

substantially unchanged; total debts were the same or smaller; liquid assets were the same or larger; and the net worth position was stronger than a year ago. The reported prosperity of citrus producers was credited with stimulating inquiries from nonfarmers interested in speculation and tax benefits associated with investment and capital gains in citrus grovelands. The increase in the value of farmland in this area is believed to be substantial. Some grovelands are priced at $2,000 to $3,000 per acre and "wildland" considered suitable for planting citrus is reported to sell quickly at about $300 per acre.

The income and financial situation of farmers in the vegetable areas of central Florida appears to be substantially improved over a year ago but it does not equal the current prosperity of those in the citrus industry. This relates primarily to the Oxford area of Sumter County where conditions were surveyed. Most of the producers visited reported financial progress during the year 1955-56. Progress - largely because of improved prices for tomatoes and watermelons - was accompanied by larger expenditures, larger credit needs, little change or reduction in total debt, and the same or greater cash balances.

Local lenders in the Oxford area indicated that loans for irrigation equipment were important and had contributed to the better yields and profits. In this area, where farms average 25 to 50 acres of vegetables, there was little trouble with delinquencies and bank deposits had risen.

In contrast to the Oxford area, the financial conditions in the Bushnell-Webster vegetable section of Sumter County and the Sanford area of Seminole County are less favorable. Many small farmers in these localities have experienced financial difficulty in past years. Although many of them improved their position this year, there is much uncertainty concerning the long-term prospect for efficiency of production and adequacy of income. Some of these small producers are heavily indebted and lenders often are reluctant to lend in this area. Sales of land for suburban development may be the only solution for many of these farmers.

In North Carolina, the financial status of farmers appears to be slightly less favorable than in 1955. The corn and peanut crops are believed to be excellent but the cotton and tobacco crops were reduced because of drought and smaller allotments. In this State, a study was made of the financial condition of farmers who produced flue-cured tobacco in the Coastal Plains, as represented by Wilson County. With a smaller, poorer quality tobacco crop, higher production costs, and little change in prices, the total net income from tobacco will be smaller than in 1955. Cropland taken out of tobacco is ordinarily used for corn or other crops but the income from these crops is not expected to be sufficient to offset the decline in income from tobacco.

Despite the slightly lower incomes in Wilson County, farm families appear to be making an extra effort to maintain good credit ratings. Repayments on production loans are reported to be up to expectations and there appear to be fewer delinquencies than in 1955. Apparently, merchants and dealers have not made credit purchases more difficult for farmers, but some restriction of credit is probably being made by local lenders. The effect of this is greatest on

tenant and cropper families. The local office of the Farmers Home Administration reports that an increasing number of families is seeking assistance. However, only 1 of the 13 tobacco farmers interviewed found it more difficult to get credit.

In summing up their own financial situations, 4 farmers believed that their position had improved, 4 thought their situation had worsened, and 5 indicated little change from last year. With regard to financial savings, no change was shown for 10 farmers, decreases were indicated for 2 and the remaining farmer had increased his savings. The two bankers interviewed expressed the opinion that deposits of farmers had held up as well as those of other customers.

In many sections of the South, especially in the rough areas of the Appalachian region, farms are small and farm income is low under the best of conditions. One of those areas in which the financial situation of farmers was studied is Grainger County in the foothills of eastern Tennessee. Here farming is on a small scale; the soil is often poor; and acreages are small. Burley tobacco and strawberries are the two most important sources of farm income. Often, also, small amounts of income come from sales of milk, beef, eggs, and butter.

Incomes from farming are expected to be up slightly from 1955. The higher incomes, however, will be offset to a large extent by increased costs. One of the brightest aspects of the situation of these small farmers is the increasing employment in nonfarm jobs. One new company has opened for business in the area and two others have expanded operations. Also, some farmers in Grainger County have received added income in 1956 from zinc mineral rights.

The farmers interviewed reported no important changes from 1955 in their financial position. Lenders, however, believed that except for the very small-scale operators, the position of farmers had improved. But lenders may have minimized too much the rise in operating costs. Farm debts in this county probably have not changed materially since last year. The 3 farmers with larger debts had borrowed to buy household equipment, an automobile, and to build a new house. Two of these farm families had off-farm income. Only 2 of the 12 farmers interviewed had mortgage debt and this included the one who had just borrowed to build his house.

The small-scale farmers in this area generally are very thrifty, and over the years they have learned how to live within their small incomes. They have relatively little cash, and are reluctant to borrow from banks and other cash lenders but they do use short-term merchant credit for living expenses and for such items as fertilizer. Lenders have indicated, however, that more loans are being made for farm improvements, such as dairy barns, equipment, and pastures. Grade A milk is increasing in importance. According to local dealers, farmers with regular off-farm work are buying more and more on the installment plan. There appears to be little change from last year in the availability of credit, and generally, collections by merchants, dealers, and lending agencies have been as good in 1956 as they were in 1955.

WEST 5/

The chief factor that has affected adversely the financial condition of farmers in the West in 1956 has been drought. Some drought areas are found in most of the Western States, but apparently, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Arizona, and Utah were most severely affected. In some areas, the drought has now lasted for several years with serious effects for farmers. Aside from areas affected by drought, the financial condition of farmers appears to be as good as or a little better than 1955. Although farm debts are rising in these better areas, farm income is also up. In the drought areas, reduced farm income has tended to increase debts and worsen farmers' financial condition.

Total farm income for the West may be a little less in 1956 than in 1955. Cash receipts from farm marketings for the first 8 months of 1956 were 2 percent less than in 1955. Declines were noted in all the Northern Plains States and in Colorado, Arizona, Utah, and Nevada. In the Pacific States and some Mountain States, marketing receipts were holding up, partly because of some liquidation of cattle in drought areas.

Farm real estate values in July 1956 were below a year earlier in Nebraska and Colorado. They were unchanged in Kansas, Utah, and New Mexico, and increased in the other Western States. Demand for all kinds of land is reported strong, as stockmen need both tillable and grazing land to maintain the large numbers of livestock.

Farm debts continued to rise in the West in 1956, although credit was tighter and interest rates higher. On June 30, 1956, non-real-estate debt of farmers was higher than a year earlier in all States in the area, except Nebraska. Increases of 10 to 15 percent were noted in the Pacific States. On October 5, 1956, non-real-estate loans of Federal Reserve member banks in the San Francisco district were up 9 percent from a year earlier, those in the Minneapolis district were 5 percent higher, but those in the Kansas City and Dallas districts were down 4 and 3 percent respectively. Similarly, farm real estate debt is rising. Loans of the Federal land banks that serve this area were up 15 to 22 percent on September 30, 1956, from a year earlier. Comparable increases were probably made by other farm real estate lenders. Farm real estate loans of Federal Reserve member banks in this region were 6 to 8 percent higher in October than a year earlier.

Causes of the increase in farm debts include the drought in large parts of the area, increased operating costs, purchase of land, and other investment made to enlarge farms and ranches to increase their production.

5/ For this report, the following States are included in the western region: Northern Plains States - North Dakota, South Dakota, Nebraska, and Kansas; Mountain States - Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada; and Pacific States - Washington, Oregon, and California.

The effects of the drought on cattle and sheep ranchers in the Southwest are shown in a survey of Guadalupe County, N. Mex., where ranchers have suffered drought for several years. At present, drought conditions are substantially worse than a year ago. Ranchers and others in the county indicate that the situation is the most severe in their experience, not excluding 1934.

Guadalupe County lies in the east central part of New Mexico. Cattle and sheep are the chief sources of farm income. Conditions in Guadalupe County in the fall of 1956 appear to be reasonable representative of the ranching situation in New Mexico and elsewhere in the Southwest.

Hay is in short supply in the county, and the delivered price to ranchers, even with hay certificates, is around $35 to $40 per ton. As a result, a substantial reduction is being made in cattle numbers, and by the end of the year cow numbers may be 40 percent below a year earlier. The situation has had a depressing effect on cattle prices, and particularly on the price of cows. Generally, however, sheep numbers are being maintained. Lamb prices have been higher this season than last, wool prices have been fairly well maintained, and some scattered rains were received this year in the parts of the county where sheep predominate.

Most ranchers in the county are in a weaker financial position than a year ago. Because of increased sales of cattle, liquid assets may be as large by the end of the year as they were a year earlier, or even larger. However, except for the smaller operators, most of the commercial ranchers will still be in a fairly sound position. Some of the smaller ranchers have already sold out, and more are expected to do so.

Merchant and dealer sales so far in 1956 are substantially lower than they were in the same period in 1955. Sales of automobiles and motortrucks are reported to be from 25 to 50 percent less than a year ago, but the dollar volume of repairs and servicing is up. The proportion of sales to ranchers on credit is about the same as last year. Collections are generally holding up well, and one reason is increased cattle marketings.

The bulk of the non-real-estate loans obtained by ranchers in the county this year have been for current operating expenses. Both the number of ranchers served and the average amount loaned by banks and the PCA were somewhat higher than last year. Loan carryovers may be no higher than in 1955 because of increased sales of cattle.

Interest rates are generally up from last year. Bank rates have increased by as much as 2 percent, mainly for those who want loans near the maximum obtainable on the available security. Some merchants and dealers who did not previously do so are now charging interest on open accounts. Rates on some installment accounts have also increased.

Although, in general, commercial operators have had little difficulty in obtaining adequate credit this year, there appears to be some tightening in process on the part of lenders and by merchants and dealers in regard to non-real-estate loans and open accounts. There are no such indications with respect to real estate credit. Also, ranchers are tending to use credit more

sparingly, chiefly when necessary for operating expenses. Lenders appear to be encouraging reductions in herds particularly for the smaller operators, when substantial quantities of purchased feed would be required for wintering.

Even if moisture conditions and cattle prices improve next year, the income prospects for cattle ranchers in 1957 will be dim. Sharp reductions in herds this year will result in smaller turnoff rates in 1957. In addition, there is little hope for much improvement in available range forage before late spring. Winter moisture is normally scant in this area, and this means that costly supplemental feeding will probably be required for a minimum of about 7 months. An example of local opinion about the cattle situation in the Southwest is shown in this quotation from the West Texas Livestock Weekly for October 11, 1956:

> "The picture would be dramatic but for its dull similarity to the bleak outlook which has faced cattlemen for some time. The drought is different only in [its] worse degree, and stocker prices have been tending lower for weeks. But now the feed growing season is over, or nearly so, and ranchers who've held stock in hopes of winter grazing appear out of luck. Consequently, the feeble market for stocker cattle may well be weakened further by sharply increased marketings through forced liquidation."

A second example of the effects of drought is shown in a survey of Ness County, Kans., in the winter wheat area. This county is located in the central part of Kansas. Principal farm products are winter wheat, grain sorghum, and beef cattle. Conditions in this county are judged to be reasonably representative of those in other winter wheat drought counties.

The wheat crop was down 16 percent from last year and the average yield was only about 8 bushels. Much of the production actually obtained is accounted for by summer fallow and localized rains; many farmers had complete failures. The 1956 crop of grain sorghum was a failure, and that of forage sorghum a near failure. Drought has been general in this county since the summer of 1952. Most Ness County farmers have smaller gross incomes this year than they had in 1955. A few have about the same incomes as in 1955. A few have larger incomes because they have liquidated part of their cattle herds.

Farmers are meeting their lower incomes in several ways. They are reducing expenditures and postponing most outlays that can be delayed. Sales to farmers, especially sales of farm machinery, automobiles, and household equipment, have been declining since 1953. Repairs to equipment are being made by farmers themselves to a larger extent than in the past. Some of the larger operators are reported to be selling the machinery they no longer need because of acreage allotments. Merchants report that collections on credit sales are slower this year than they were in 1955, and that the proportion of sales on credit is higher.

Cattle herds are being reduced to avoid buying winter feed, but the cattle are sold on what farmers consider a low market. One farmer reported that he received $7.50 per hundredweight for stock cows. Receipts from cattle sales are used to pay debts and for operating and living expenses.

Farmers are using up savings in order to meet operating and living expenses, and some farmers are turning to off-farm work to supplement their farm incomes. Most farmers have less liquid assets than a year ago, although a few temporarily have more money on hand because of sales of cattle.

Apparently farmers want to stay out of debt. Much of the decline in sales of merchants and dealers may be due to the desire of farmers to avoid using credit, although a somewhat larger proportion of sales to farmers in 1956 was on credit. Loans of the local production credit association and local banks to farmers were less in 1956, reflecting both a small reduction in number of borrowers and smaller loans on the average. This, again, appears to be due to more cautious borrowing by farmers and more conservative lending by lenders. More real estate mortgages were taken as additional security for short-term loans. Lenders expect a moderate increase in loan carryover this year.

The local National Farm Loan Association reports an exceptionally large increase of about 25 percent in outstanding loans in 1956. The bulk of the increase is accounted for by installation of irrigation and stocking of irrigation farms, purchase of additional farmland by farmers, and debt refinancing.

The financial condition of farmers in Ness County is worse than it was a year ago, although a surprising number are still debt free. Apparently, many farmers had reserves that carried them through the last several years of drought but the reserves appear to be running out, and, with the lack of feed to carry their cattle, farmers are in a more vulnerable position.

Another drought area surveyed was the spring-wheat-cattle ranching area of eastern Montana. In Custer County, Mont., the financial position of most ranchers is poorer now than last year. Livestock and cash resources are down, but indebtedness and new applications for credit have not increased unduly. Ranchers apparently believe, and lenders agree, that adequate credit is available in Custer County for operators with unencumbered assets. Ranchers who are likely to feel a squeeze are those without an established credit standing and those already in debt to the hilt. Younger operators who are still getting established and small operators with few reserves are facing trouble. Most lenders are tightening up a bit in their lending policies. There is some rather strong sentiment in the county for more flexibility in loan repayment, rather than more credit as such.

Diversification was of no help in Custer County this year. Grain-livestock operators raised little grain and sold light calves at a reduced price. A few ranchers stored grass and hay and will have enough for the coming winter, but many have no hay and grass reserves. Whatever the reasons, most ranchers in the county haven't enough feed for all of their cattle to see spring. They must buy feed, sell cows, or do both.

Ranchers can borrow money to buy concentrates, but no credit agency in the county will loan $30 a ton for hay to feed a $75 cow to spring. As a result, ranchers are substantially reducing their cattle numbers. Cattle prices are low now and feed prices are high, so ranchers must sell proportionately more cattle in order to buy feed for those they keep.

The common feeling in Custer County is that if it rains next spring, the drought will have been only a bad moment, but a very unprofitable one. Another attitude is that the drought has only intensified, not solely caused, the current trouble. If prices were still good, a rancher could get by without sacrificing much or any of his breeding herd. But with low prices for cattle he must reduce the number of his cows, get credit to pay expenses, or do both. If prices remain low, how can he repay his loan?

In summary, there are dislocations in the agricultural economy of Custer County. Some are due to drought, some to accompanying low cattle prices, and some to less flexibility in the credit structure than might be desirable. But few ranchers are in distress yet, and even these would survive with improved prices and precipitation.

The position of cattle ranchers in Cherry County in the Nebraska Sand Hills is not as unfavorable as those of ranchers in the Southwest. Drought has reduced the 1956 hay crop for those ranchers who have only hill range and meadows, and some reduction in herds has taken place. But the hay crop on bottom-land meadows was normal or nearly normal.

Apparently, the financial situation of ranchers in Cherry County is affected more this year by rising costs of operation than by prices received or weather. In general, prices received this year appear to average about the same or slightly lower than last year. Gross incomes of ranchers should average about the same. Net incomes are expected to average somewhat less because of higher operating costs.

Apparently, credit is adequate to meet the demands of cattle ranchers, and ranchers are using credit rather freely to cover operating costs. They are cautious about using credit for buying new cars, farm machinery, and household goods. The chief reasons for this attitude appear to be concern over rising operating costs and uncertainty as to the price of feeder cattle.

Sales of new machinery, automobiles, building materials, and household appliances have declined substantially. Merchants report that the proportion of sales that are on a credit basis has increased, and collections are slower than in 1955.

Banks in the area are discouraging loans for purchase of cars and household equipment unless they are absolutely necessary. There is also a trend toward a reduction in the amount loaned per head of livestock. One banker stated that he had loans for $80.00 a head and was going to try to reduce this to $45 to $50 a head by next year.

The total number of borrowers served by local banks and the Production Credit Association in 1956 was about the same as last year. The average amount loaned per borrower was a little higher, and there was a small increase in the number of applicants not served. A higher proportion of the amount loaned was used for operating purposes. A small increase in loan carryover is expected this year.

Ranchers who are understocked appear to be refinancing their debts. Most of these understocked ranchers started since World War II and their adverse financial condition results from high-priced foundation stock and the lower cattle prices of the last 4 years. These ranchers have not been able to build up adequate equities and are hard pressed to meet their obligations. Lenders are aware of this situation and are requiring more security. The only visible way for these ranchers to become more efficient and reduce per unit operating costs is to increase stocking rates, enlarge their ranches in some instances, and refinance their debts into long-term obligations. In view of their smaller equities, such refinancing will probably be with the Farmers Home Administration. So far, however, the Farmers Home Administration has not been important in financing ranchers in Cherry County. In October, the Administration had only 23 loans outstanding.

On the whole, the financial condition of most ranchers in the county appears to be somewhat worse than a year ago. There has been some drawing down of savings to meet operating expenses, and depreciation of machinery and equipment probably has not been completely met by replacements.

A survey of spring wheat-flax farms in McLean County, N. Dak., found a definite improvement in farmers' financial condition in that area. In 1956, North Dakota farmers completed what may have been the best crop season in history. Although there were some areas of poor crops, particularly in the southwestern counties, production of wheat was 4 percent higher than in 1955 and production of flax was up 33 percent.

Wheat accounts for about 40 percent of the crop acreage in McLean County and flax for 25 to 30 percent. On the average, yields were substantially higher than in 1955. The higher yields and relatively good prices have improved the financial condition of farmers, although farmers continue to be concerned about high operating and living expenses.

Merchant and dealer sales to farmers in 1956 are expected to be significantly higher than in 1955. Sales of household appliances, however, were lower, and one reason reported was that farmers were well supplied with appliances. The proportion of sales to farmers on credit was about the same or a little higher than in 1955; so far, collections have been as good or a little better than in 1955. Slowness in receiving price-support loans was reported as a factor tending to reduce sales and increase the use of credit. However, one dealer stated that farmers are interest conscious and like to use "interest-free" dealer credit in order to reduce borrowing from banks. Merchants and dealers are becoming concerned about the cost to them of open accounts and some are discouraging them.

The number of borrowers from the local production credit association was about the same in 1956 as in 1955, but the average amount loaned per borrower was higher. In the case of the local banks, the total number of borrowers and the average amount loaned per borrower apparently were about the same as in 1955. The local National Farm Loan Association has only $430,000 in loans and has made only 13 new loans so far in 1956. The Farmers Home Administration has had substantial increases in its loans in the last year, and further increases are expected.

Liquid assets of farmers in McLean County are higher than a year ago and may rise further by the end of the year. One banker reported that some farmers are investing their savings in investment trusts.

As irrigation is important in the West, surveys were made of agricultural conditions in two irrigated counties. In Cassia County, Idaho, about 90 percent of the 1,200 farms report irrigation. Cassia County is considered representative of other irrigated row crop Idaho areas, particularly of those in which many operators are enlarging farms and adding livestock. The county has a diversified agriculture; principal farm products include potatoes, sugar beets, dry beans, peas, alfalfa hay, wheat, milk, beef cattle, and sheep.

The overall financial position of farmers in Cassia County is reported to be slightly better than last year. Among the reasons given are enlarged operations with more row crops, feeder and dairy cattle, greater use of fertilizer, better yields and quality, and more water available from both irrigation and rainfall. 1955 was a particularly bad year and 1956 stands well by comparison. On the average, prices received by farmers probably do not differ greatly from those of last year.

Although gross farm income will be higher in 1956 than in 1955, farmers continue to be concerned about high operating and living costs and are reported trying to hold down expenditures. However, sales of farm machinery and equipment are substantially higher. The proportion of sales made on credit rose somewhat, partly because of the short crop last year. On the whole, collections are so far probably a little slower than last year.

Bank loans to farmers are reported to be somewhat higher in number, with the average amount per borrower about the same as last year. The local Production Credit Association reports a decline in both number of borrowers and total amount loaned because of fewer feeder loans. The Farmers Home Administration has had an increase in outstanding production and subsistence loans and also in soil and water conservation loans. Outstanding loans of the local National Farm Loan Association increased by about 20 percent in the last year. Principal purposes of the loans were operating expenses (more farmers borrowed for this purpose because of low income in 1955), irrigation development, expansion of livestock programs, and farm enlargement.

Debt repayment in 1956 is expected to be good, and by the end of the year the financial position of farmers is expected to be slightly better than a year earlier. Liquid assets of farmers should be about the same to somewhat higher than last year. Bank deposits in October were a little above a year earlier.

Madera County in the San Joaquin Valley of California, was also surveyed. This is a highly diversified, irrigated county, and diversification appears to have increased in the last year. All farmers had higher operating costs in 1956. Grape producers were in better financial situation than a year earlier because of higher grape prices; yield and quality were generally about the same as a year earlier or somewhat improved. Cotton farmers are in an improved financial condition because of a better crop. Although many dairy farmers are somewhat better off, the majority are about where they were a year ago. Cattle producers are meeting their costs, but their position is about the same as last year. Alfalfa producers suffered a poorer crop in 1956 because of aphid damage, and grain yields were also lower.

Credit for farmers in Madera County appears to be somewhat tighter than a year earlier; lenders are scrutinizing loans more closely. Farm owners are having little difficulty in obtaining the credit they need, but tenants and beginning farmers have a harder time. The number and amounts of farm loans are above the same period last year because: (1) Operating costs are higher; (2) 1955 was a relatively poor year, and many farmers started 1956 with little or no reserves; and (3) some additional land is being developed.

Farm real estate loans have increased. Factors in the increase are land purchases, refinancing of debts, farm improvements, and borrowing on real estate because of insufficient non-real-estate security for operating loans.

Repayment of farm loans in 1956 is expected to be fairly good. Delinquencies and carryovers by the end of the year should be lower than a year earlier.

Farmers' outlays for operating and living expenses in 1956 appear to be generally higher than in 1955 because of higher prices for goods and services purchased. Information obtained on expenditures in this county is limited and sometimes contradictory. However, purchases of automobiles were down substantially, and some reduction probably occurred in purchase of farm machinery. The proportion of sales on credit to farmers was about the same as in 1955. Collections are reported to be about the same to somewhat slower. Opinions about farmers' attitudes toward using credit vary; some say they are more cautious and others state that they make free use of any credit they can get.

A survey was made of Linn County, Oreg., to show conditions in a dairy-poultry mixed-farming area. The chief sources of income in this western Oregon county are milk, eggs, broilers, turkeys, ryegrass seed, sheep, wool, vegetables, and fruit. Most farmers have incomes from several farm products. More than a fifth of the farmers in the county carry on irrigation.

All farmers in Linn County have felt the cost-price squeeze, but in varying degree. Dairy farmers who produce a substantial part of their feed requirement have been least affected by rising costs. Some costs, particularly repair bills and living expenses, have risen but have been largely offset by a small increase in the price of milk. Returns from grass seed, often a supplemental enterprise, have been low this year. Poultry farmers have experienced a considerable drop in income because of price declines and

gradually rising costs. Operators of diversified farms who grow grass seed and grain and keep small numbers of cattle, hogs, or sheep are coasting along. Their incomes will be lower in 1956. But unless they started farming during recent years of high land values, their financial position is still fairly strong.

Probably very few farmers in Linn County are in serious financial difficulties. Most of them are debt free or are able to carry their present indebtedness, but the financial position of the majority of farmers is not as favorable as it was a year ago. Only a few farmers feel that this is the time to diversify or enlarge their operations; some operators of the larger farms are reducing their operations or moving to a less intensive type to reduce operating costs. There appears to be reluctance to borrow money. Sales of automobiles and farm machinery in 1956 were less than in 1955. The proportion of sales of these and other items on credit was somewhat higher. One explanation given was that farmers, although reluctant to borrow from banks, were not so reluctant in regard to using "noninterest" dealer credit. Collections are reported by merchants to be slower this year than in 1955.

The number of farmers who borrowed from local banks decreased somewhat this year, but the average amount loaned per farmer increased. Banks are becoming more concerned about the ability of farmers to repay at current prices, although they expect a reduction in loan carryover at the end of the year. There is little evidence of any significant credit tightening, although interest rates have been raised for some farmers who are not regular customers.

Production and subsistence loans of the Farmers Home Administration have increased. The local PCA reports a 10-percent increase in the number of farmers served and also an increase of about 10 percent in the average amount loaned per farmer. The PCA increases are ascribed partly to higher operating costs of farmers and partly to introduction of new intermediate-term loans.